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THE MADRAS PROVINCIAL BANKING ENQUIRY COMMITTEE

VOLUME III

WRITTEN EVIDENCE—*contd.*

M A D R A S

**PRINTED BY THE SUPERINTENDENT, GOVERNMENT PRESS, AND
PUBLISHED BY THE GOVERNMENT OF INDIA, CENTRAL PUBLICATION
BRANCH, CALCUTTA.**

1930

CORRIGENDUM

VOL. III

**After page 1109, for ' pages 1210, 1211, 1212, 1213, 1214 ' read
' 1110, 1111, 1112, 1113, 1114 '.**

**Written evidence of M.R.Ey. Sri Hota VIRABADHRAYYA Garu,
Zamindar of Gangole Estate, Tallapudi post.**

I.—Agricultural credit and credit facilities for small industries.

1. The agriculturists in this division obtain loans, (1) for expenses during cultivation, (2) capital and permanent improvements, and (3) for other special needs such as failure of monsoon and for payment of land revenue. For items 1 and 3 generally, he raises the loan on the oral security of the standing crop and pays high rate of interest at 2 to 3 per cent per mensem (compound). For item 2 they give land as security and the rate of interest is only $1\frac{1}{2}$ per cent per mensem (compound). The period in case of items 1 and 3 is only six months whereas in item 2 the period is more than one year. There are no branches of the Imperial Bank; though there are very few co-operative societies, much benefit is not derived by the Agency people. To give relief to Agency people, one co-operative bank may be opened and loans granted on furnishing the security of immovable property. For the Polavaram division, if Rs. 75,000 is given, business may first be started on careful lines.

2. The sowers of the locality who severally advance money, take the produce from the ryots at a cost less than the market value by one rupee but virtually it is coming to Rs. 1 less than the market value per putti. The sower generally lends food-stuffs and takes back an equal quantity of gingelly and castor which fetch twice its cost. Rich and intelligent ryots take their produce to the market and sell them for the proper prices. The formation of pools and of co-operative effort generally in marketing produce, will certainly improve the condition of the mill-people. No hundi system is current in the Agency.

3. There is no double crop land in the Agency. The cost of an acre of wet lands varies from Rs. 250 to Rs. 750 according to the fertility of the soil and water facilities. The cost of an acre of dry land ranges from Rs. 50 to Rs. 350 per acre. Act I of 1917 safeguards the interests of hill-men such as Koyas, Reddis, Kammaras, Malas and Madigas.

5. The villagers in Gangole and its five hamlets owe to others to the extent of Rs. 10,000 and that of Sagipad to the extent of Rs. 3,000, that of Karakapad and Bucheyyapalem Rs. 5,000, that of Lakshminarayanadevipeta and its hamlets Rs. 8,000. The above debt was taken partly on the mortgage of their lands and partly on promissory notes with a side condition that the produce should be sold to the creditor at a less cost. Debts are largely due to professional money-lenders. Many efficient farmers are being turned out into tenants at will through the process of the enforcement of the old debts and the landed property passing on into the hands of creditors. If this process continues, it takes away from the actual cultivators the incentive to produce better crops with zeal and interest.

II.—Indigenous banking.

There are no indigenous banks in the Agency.

III.—Investment habit and attraction of capital.

2. Savings banks afford all possible facilities to the public at present. Civilized population resort to such kind of investment. If the savings bank system is introduced in branch post offices, it affords convenience and attracts other classes of people with less education.

3. The farmers, when they find any surplus money, lend to fellow agriculturists on the same terms as sowers do.

More schools may be established and sufficient training may be given in industries by starting industrial schools where the able-bodied and less educated find work in and out of season.

**Written evidence of M.R.Ry. T. R. SESHAYAR, (Jr.), Tirunillai,
Palghat.**

Introduction.

Before I begin to summarize my views on the Indian banking question, it is necessary in the first instance to note as to what is exactly meant by the term. From the questionnaire issued by the Committee, it has been very difficult to form a correct opinion. It has been therefore taken as meaning banking in the modern sense of the term conducted in India in whatever forms of constitution. Indian banking has been classified under the following heads:—

- (1) Private bankers.
- (2) Joint-stock banks.
- (3) Exchange banks.
- (4) The Imperial Bank of India.

Private bankers.—Let us see how each of this class conforms to the requirements of modern banking. Banking in the modern sense of the term, as meaning opening of current accounts withdrawable by cheques and collection of cheques for credit of accounts, is a thing unknown among the class of bankers we refer to. There is no cheque habit at all. The capital of the business is provided by the proprietors. Money is obtained on demand promissory notes from the public and direct borrowing from the banks on the security of bills or other kinds of securities like personal credit or mortgage. These moneys are invested at exorbitant rates of interest without any reference to the vital principles of banking. The main principle in banking is that money that is not useful to the many is utilised by those who can find a use for it. It is on the modern principle of credit. This credit is distinct from that on which money is being deposited with the private banker. As money is not kept rolling under this system, it is kept dormant. Business comes to a standstill and it is not a live business. Under the circumstances, the business usually drags on till the death of the senior member of the family and then it comes to a sudden collapse. As the methods are not safe and sure, it is not progressive, which is the perfect security from the point of view of the business. Another obstacle in the way of a stable business is the law of inheritance and the consequent alienation of property and the problem of the minor members of the family.

The business under this head is performed by the following classes of people:—

- (1) Individuals.
- (2) Joint family business.
- (3) Partnership business.

Each of these has got its own peculiarities. If we divide them according to the methods of business, we have the following classification:—

- (1) The Brahmans.
- (2) The Chettis.
- (3) Shroffs and Multanis.

Except these three classes, none others seem to be prominent in the line. Each of these classes has got its own methods of business. All lead to the same conclusion as regards the ultimate service and benefit to be enjoyed by the constituents.

Apart from individuals who are professional bankers under this way there are those who lend their surplus money on mortgages under instruction from their solicitors. It will be very difficult to control such people, except by means of proper education.

The joint family business has no fixed constitution and in case of partition, the depositors are left at the mercy of the family members. The business depends on the whims and fancies of the members. There is no continuity. The defect lies in the right of the members to alienate the property. This is distinct from that of a partnership. Therefore the constitution of the family business should be rigid.

In all the above firms, the depositors give money not on facts and figures, but on blind credit. The accounting of the business is far from satisfactory. A modern accounting is vital to the existence of any business and only a modern accounting can put these under business principles. As no economic service is being performed by these classes, it is essential that they be put under restrictions. In these days of hard competition, it will not pay the borrowers to engage in uneconomic finance. The following safeguards are therefore suggested in respect of these people.

Safeguards.

1. The business under this class of bankers should work under a constitution providing the business for being conducted as a separate organization, continuity of business, provision for management, the rights of members and partners and other matters as are generally detailed in an Articles of Partnership or the constitution and by-laws of a limited company. These documents should be registered with the Registrar who should issue a certificate that it is a bank, provided the firm is engaged or is going to engage in modern banking business.

2. There should be yearly audits of these businesses and the audit reports should be filed with the Registrar and be made available to all the depositors.

3. The methods of business, the acceptance of deposits, the rates of interest to be charged and paid should be subject to the rules of a local clearing house conducted under the constitution of a local central bank referred to below.

Local central bank. The reconstituted banks referred to above and also other joint stock companies doing modern banking business, whether head offices or branch offices, should form a local central bank to act as their bankers and to protect their interests. The Government should be represented by one of their local nominees. The moneys of the local board, municipalities and other public moneys should be remitted to this bank. This bank should adopt rules for the conduct of the member banks and also in the matter of giving facilities and other accommodation to them. At present there are so many small institutions competing with one another and engaging in unsound business. If an unfortunate crash should come in, which happens in many cases, these have nothing to fall back on account of their unsound business and such failure occurs to the detriment of the depositors. A local central bank for each taluk or town where there is adequate scope for banking will prevent disintegration and at the same time regulate the business of others in sound ways. The model has been furnished by the Federal Reserve System of America. Such methods and such scrutiny will provide sounder and safer methods of business. The adequate check exercised by this bank will also relieve the Government of an onerous duty and at the same time provide for the safety and confidence that are so essential.

Local clearing house.—The local central bank should organize a local clearing house. It should be more than a place for the exchange of cheques as has been the function of the present clearing houses in the major cities. The clearing house should be controlled by the bank and through it, the member banks. It should deal with the common problems of banking, credit information and duplicate borrowers, the safety of banking, banking failures, frauds and bank examinations. An efficient and well-functioning clearing house will be of great use in evolving a satisfactory system of dealing with banks.

The Indian Reserve Bank.—The local central banks may incorporate a district bank, if found necessary. But it would be better to incorporate a provincial reserve bank, which should in turn form the Indian Reserve Bank. This method is more economical than the formation of Reserve Bank with branches. In this case we are going down to the unit, instead of proceeding from it, which I believe, will do better.

Joint-stock banking.—Under this category, we have two classes:—

(1) Banks with no branches or unit banks.

(2) Banks with a number of branches in the mufassal.

In the case of the former, most of them are local institutions and from a service and efficiency standpoint they function much better than the other class. Most of them are handicapped for want of adequate help and some

of them are merely exploiting the word bank and conduct so many other businesses, which are foreign to modern banking. In the case of this class, the grouping them under a local central bank will be of much help, both from the point of view of adequate help and from that of unsound methods of business.

As regards the other type of banks, they are ill-managed to a very large extent. People at the head of affairs are those who seldom realize the difficulties of the bank manager of the branch. They do not understand the local needs and conditions. The question of branch banking is a question of paying businesses. Most of these banks would have done better, if they had concentrated on unit banking. In the case of the branch banks, there is no uniformity of system and procedure. The operating costs have been further burdened by capital losses owing to the inefficiency of management; branches should be managed by those who have the requisite experience of a branch. The head offices should adopt modern systems for uniformity and elimination of unnecessary waste. No two branches are working alike. There is no proper organization of the staff. When one man can do the work, we usually find more than one ill-paid man impairing efficiency. If the branches are systematically organized, there will be considerable improvement. Branch banking as is conducted now will never pay. It will be many times better, if a system of correspondents and agents is introduced and concentration is directed towards unit or independent banking as in the United States. The system of branch banking, as is in vogue in England, will not be efficient in a country like ours.

It is not necessary for any branch banking at all under the proposed scheme. The local central banks will be amply sufficient. The unit or independent banks will be more efficient and cheap than a costly branch department at the head offices and costly branches, disorganized. Likewise, banking cannot be improved by the opening of more branches of the Imperial Bank or other joint-stocks. The improvement of banking lies in the number of people resorting to banking than the number of banks and branches. Such a system can only be achieved by unit banking.

One of the important restrictions necessary in respect of these and other banks is on the distribution of the earnings. These should be limited to a maximum of 9 per cent of the paid-up-capital. The rest should be in reserve. We have to-day the sorry spectacle of the Indian Banks not having an adequate reserve fund. Whereas we have numerous other banks, still appropriating to reserve, though their reserve funds stand at more than their paid-up-capital. Reserve funds are there to provide continuity of remuneration to capital and employment to labour and efficient service to the public. Unless and until such vital principles are realized by all, there cannot be any improvement in Indian banking. The reform has to come from within instead of from without. Most of the banks, on a rigid scrutiny will be found to be wanting in their own duty as a financial agent and custodian of the public moneys. Without that any amount of legislation will not help the cause of Indian banking and any amount of blame showered against the Government will not be of any use. Government cannot create banks and factories and give wages and profits. They cannot give the individual, though the individual can give it. The real control must be that of the men using the service. It is the management which pays ultimately. Government can only aid them and beyond that any help by the Government will be to abuse the power of the Government and consequent loss to the tax-payer.

Regarding the winding-up and amalgamation, every effort should be made to merge those institutions. The ultimate dissolution and distribution should be resorted to, as the last source. The movement of amalgamation and reconstruction has provided the strength of the British banking. If the closed banks had been absorbed, it would have benefited in better banking. Further the liquidation should not take place without the consent of the local clearing house, which should make dissolution as the last resort. In cases of malicious attacks, enquiries should be made by the local clearing house at the instance of the local central bank and adequate protection given, if found fit.

With regard to the business, every power should be given to the joint-stock banks and other banks to engage in all kinds of business. It would be far better and far more economical to have composite banking like

composite insurance companies. Ordinarily, these may be allowed to do all or any of the following business:—

- (1) Deposit banking.
- (2) Exchange banking.
- (3) Investment banking.
- (4) Industrial banking.
- (5) Trust banking.

All these kinds of business should be dealt with separately like a composite insurance company transacting all kinds of business. But this is without prejudice to the establishment of specialized banks on these lines, or other types of banks like trade banks, agricultural banks, co-operative banks and the like. Separate organizations should, however, be linked with the local central bank or provincial bank, subject to the special nature of their business.

The conditions in the country are such that individuals are their own financiers and financial advisers, unlike the West, where men look upon the banks, as their financial agents. The money in the hands of the people is invested in land, though the return may be low and the security, not liquid. They invest in real estate mortgages. All these, in the end, can only be liquidated by the sale of the properties. Thus, there is not much mobile capital. No other form of investment is known to the people, not only they do not know them, but have no facility also. The constitution of the private business on modern lines will greatly help in the diffusion of modern investments. Money has been extravagantly spent on foreign goods and gold, all contributing to the poverty of the land. Sound education on these lines will also help the cause of Indian banking.

The exchange banks.—The present exchange banks should be restricted by legislation as to their investments in this country and as to separate accounts as to the conduct of their trade here. The same restrictions should also apply to the foreign insurance companies. The trouble arises with these banks, as they are opposed to Indian interests and aspirations. They refuse the policies granted by first-class Indian companies, because they know that they can hold their own. No Indian has made headway in any of the exchange banks. They occupy the same desk and handle the same quill-pen as when they joined. Their business is preserved as a close monopoly. Subjecting them to legislation and boycotting them are the two remedies. The second is out of question, as the whole foreign trade is handled by these banks. Besides special restrictions, they should be subject to the same rules as are framed for the Indian banks. In future no foreign bank or insurance company should be allowed to do business in the country without obtaining the sanction of the Government. Indian banks should be allowed to do exchange business and adequate help given to them in foreign countries.

Education.—I divide this into two categories. One forming banking and technical education and the other the education of the public. The best education that is required for banking as for others is character, which includes commonsense and honesty. Commonsense is an invaluable asset of utmost importance. Culture is another. Education should aim at higher thinking, and creation and leadership. It lies in the creation of opportunities. The products of our modern universities have cut a sorry figure in the matter of practical application. They have no outlook. They go to the already over-crowded cities and add to the list of unemployed or form part of the army of ill-fed, ill-clothed and ill-housed men of the city. They do not care to tackle the potentialities in their own places. Some of them have not the grit. With some, it has become the question of employment only, which means no creation and the displacement and substitution of existing ones. They never aim at the erection and creation of a substantial thing, which will provide not only for them, but also for others.

Some of the people suffer from want of adequate support and appreciation. We have to-day many men who are well equipped for the task. They have burnt their fingers in education and they have spent their money. In the absence of true appreciation, their alternative is to take chance with others. The people have not the foresight to utilize local talents and they are content to go along the beaten track. If one man opens a shop in a certain locality, the rest follow suit. They never think of the creation of anything different from it. There is no scientific thinking and construction. They think in terms of money, as if money is the one and all. Money is

like any other commodity. They think in terms of profits, rather than in terms of service. True profits come as the result of service and not the basis of service. It is pioneering that pays and not plodding. The question of public education is more important than banking education.

Banking education as is supplied by the professional bodies like the Institute of Bankers has greatly helped the men. They are in a way better than university education. Unless the public and the banks take advantage of such education it is of no use. Many qualified and educated men are unemployed because there is no scope for their talents. It is wasteful to train men in foreign countries unless there is certainty in their talents. For my own part, the best education can be gained in a well-organized bank. The various periodicals and magazines provide ample scope for improvement and application. Clear thinking is superior to the training that may be given elsewhere. The education that is given by the banks at present is absolutely nothing, whether theoretical or practical. They are made to learn themselves. There is no interested education under a scheme of apprenticeship. The so-called training is a white-wash. The prospects are nil and there is too much favouritism and paternalism at the cost of efficiency. If vital principles of management and organization are realized, banking will be more stable and will provide better prospects.

Public education will come in with improved banks. It should be made part of the education in colleges and universities. It should be instructions in sound saving and secure investing. There should be School Savings Banks like those of the United States. Absence of an elementary knowledge on these lines is greatly regrettable on the part of the so-called modern products of our modern universities. The banks also must undertake co-operative advertising so as to educate the public better. Business and education must go together. Business has to lean upon education for improved methods and education has to lean upon business for encouragement and help. The look forward is the great thing in education.

Industry and commerce.—The conditions of the industry, which means agriculture, also, and commerce have not improved a bit by the so-called banks and financing agencies. The whole internal trade is financed by the private bankers. The agriculture is financed by the sowcar. There is no such organized industry in the country. The products of the country are exported and they come in the shape of manufactured articles. This process takes from us the maximum benefit out of our production. There is no employment for the people of the country under this system. Agriculture is our basic industry. It has not been industrialized. There is no intensive farming. Dairy-farming, poultry-rearing and other farm industries are unknown and where they are known, they are looked upon with contempt. It has been understood as only tilling the soil. The farms can only be improved if the owners take to it as a business. The farms to-day are not farm-owned. The owners and the tillers are different. The owners must take to it seriously and if the farms are small for modern methods of farming, they should co-operate with the adjacent farms. There is no organized marketing of the produce. Usually the standing crops are mortgaged. When the produce comes to the owner, it is being disposed of according to the pressure of the monetary demand.

Finance for improvements and capital expenditure should be raised by long-term loans, with a charge on the property and income like the issue of debenture bonds. They should be raised through the local banks, whose advice and co-operation will be essential. If the proposition is not sound, then it will be dropped. The banks may act as the trustee for the bondholders and in proper cases may even guarantee the issue. Such a scheme will be more beneficial instead of mortgaging the land to a single individual or borrowing money in any other way. The reconstituted local banks will be useful in imparting such methods and help to the farmers.

It is essential that there should be a central agency for the distribution of the produce. It should either be a limited company or an association of producers. Instead of the produce being carried to the market, arrangements should be made by the agency to gather the produce. The agency should be able to utilise the produce for local needs and send the rest to other places. This will facilitate the movement of the produce and the banks can safely deal under such conditions. They can have the bonded warehouse system under licence. The reduction of the stamp duty on bills

will give an impetus to the bill market, which will facilitate easy remittances, the absence of which has contributed to the disparity in the rates of interest between the presidency towns and the up-country. A well organized market, having easy remittance facilities will bring down interest rates which is essential for better banking, and better business. There will be a more unified financial market under such conditions. The provincial banks in conjunction with the local banks will be able to achieve the object. What is wanted for an organized market is easy mobility of money from place to place. That will only bring about the evenness in the money market. Therefore the question of Indian banking is in a great measure a question of proper education and sound and organized methods. If things are done in a business-like way, whether it be banking or any other thing, there is every scope of improvement.

Attempts should be made for the establishment of stock exchanges in important towns for dealing in bonds, shares, securities, etc. The present ignorance is in a large measure due to the banks themselves. All along, they have taken their business as meaning only lending money and earning profits. The idea of service has never occurred to them. And in fact, the banker's stock-in-trade is that. Compare some of the banks having immersed their money either in real estate mortgages or gold jewels. Gold or silver in bullion is quite different from the ornaments taken as security. That is pawn-broking and many of the banks seem to be undertaking that only. During all these years of existence, they have not been able to change the investment habit of the people. In order that a banker may have fluid resources, attempts should be made to render this service by a local stock exchange, wherever, possible.

Written evidence of M.R.Ry. C. RANGANAYAKULU CHETTI
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III.—Investment habit and attraction of capital.

1. The present banking resources in the Province are the Imperial Bank, the foreign banks, the Indian joint-stock banks, the co-operative banks, nidhis, chit funds and private money-lenders such as Nattukottai Nagarathars, Multanese, Marwaris and others.

The amount of additional capital required can hardly be estimated with any approach to accuracy. Considering the poverty of our agriculturists who cannot afford modern implements or power lifts or intensive manuring, or well-fed cattle, or stocking for better market, and considering the very great facilities in this country for several industries such as sugar manufacture, oil-milling, iron and steel, dyes, chemicals, drugs and medicines, dairy products, paper, canned provisions and such others which languish for want of capital, considering the number of applications for loans pending before the Madras Board of Industries, and considering also the foreign industrial concerns that are slowly securing a foothold in the country, I am compelled to say that what capital is available cannot reach the ryot or the manufacturer.

2. To encourage the savings habit there are the savings banks, Government paper, postal cash certificates, nidhis, chit funds, and stocks and shares of all denominations.

The facilities for investment are deficient in villages and small towns. To improve the facilities it is necessary to encourage and *regulate* indigenous banking, the nidhis and chit funds. The habit of investing in jewellery can be overcome if money can be safely and conveniently invested. The chance of a safe investment with a periodical return of interest would operate as a great inducement.

Postal cash certificates were popular till the interest was reduced from 5½ to 4½ per cent on 1st July 1927. Under present conditions of the money market they will continue to lose popularity if the rate is not increased. They should further be made negotiable. If savings banks deposits are made a first charge on the assets of a bank in the event of liquidation a great stimulus will be given.

Government is of course competing with banks and carrying away what savings are available. Such monies should go to the vaults of banks where they will feed the country's trade and industries.

The agriculturists are illiterate generally and they cannot understand the vagaries of the stock exchange. They are accustomed to higher rates of interest than Government paper can yield.

Inter-borrowing between agriculturists is very common. Rates are higher than at banks. Registration fees should be reduced. Surplus money is invested in jewellery, land improvements, house-building, etc.

4. Cheque habit is growing rather slowly. Abolition of duty has given some encouragement. But the low rate of interest, if any, for current account, the low level of education, the difficulty of cashing or negotiating cheques with vernacular signatures, the absence of banks in many mufassal towns, all are obstacles to the freer use of cheques. The banks should have vernacular experts for the purpose.

5. The Imperial Bank of India is coming into severe competition with Indian joint-stock banks. No doubt it does great service by loans on industries, on internal trade, by remittances for movement of crops, etc. The plenitude of Government funds lying with it and the generous terms of contract with Government make it a giant institution. It should not open branches where the Indian joint-stock banks have opened or contemplate opening branches. Its discount rate should be level with that of the

exchange banks. If its contract is renewed in 1931 it should only be a banker's bank and should not have dealings with the public. The Government should extend similar facilities to Indian joint-stock banks as are given to Imperial Bank for opening branches.

A great deal of capital is yet required for this country's trade and industries. It is therefore necessary to encourage the import of foreign capital, of course, under certain restrictions in order to prevent heavy economic drain. Government should not carry away people's savings for its own unproductive capital expenditure. Foreign companies working in India—Industrial, Insurance, banking, etc.—should invest in India not less than 75 per cent of their reserve or surplus funds. Government should overhaul its stores purchase policy. Government or reserve bank should safeguard the interests of depositors and shareholders. In this way more capital should be made available and facilities for safe investment in industries should be opened.

**Written evidence of M.R.Ey. T. MANAVEDAN VALIA
TIRUMULPAD Avargal, Raja of Nilambur,
Nilambur Post.**

1.—Agricultural credit and credit facilities for small industries.

1. The agriculturists in Malabar district about whose condition alone I claim to have some intimate knowledge obtain finance for carrying on their work by one or the other of the methods described below:—

(a) In some parts of Malabar there is a system of loan called "Polu". This is an old practice whereby the farmer agrees in writing to give the local money-lender one-fifth of the produce of his farm for a consideration of just enough paddy for sowing as well as for keeping the bodies and souls of the man and his family together during the season of cultivation. In some cases money is advanced on pro-notes executed for amounts much in excess of what has actually been received by the farmer, the excess very often covering the interest of two or three years in advance. Only a nominal interest is shown to give the transaction an air of fair dealing.

(b) By mortgages with or without possession. Besides this, co-operative credit societies are helping the country folk to a great extent and in very rare cases Government loans have proved useful.

(c) Generally from private money-lenders and landlords.

The rates of interest vary according to the security given and the period for which the loan lasts. Though the fair rate of interest is regarded as 10 per cent it very often goes up to 36 per cent and instances are not wanting of cases where it has reached the exorbitant rate of 48 per cent. The security is often the crop expected in addition to personal security. For long periods however, the improvements and other immovable properties if any are mortgaged. The period for which loans are taken depends upon the nature of security tendered. Loans on lands are generally taken for a period of one year to 12 years.

Government.—Government loans for agricultural purposes generally are few and far between. The system of Government loans for agricultural purposes is not sufficiently known or taken advantage of by the classes for whom they are required most. The long delay in getting Government loans and the cumbrous procedure adopted in this have to a considerable extent discouraged the needy farmer resorting to Government help.

Imperial Bank of India.—As far as I know no agriculturist has received any help directly from this institution.

Joint-stock banks.—Though there are a considerable number of them in my district only a few give loans on the security of lands. These banks, being commercial, give only short-term loans. The complexity of title deeds, the delay in getting them examined by competent lawyers, difficulties in valuation, the general unwillingness on the part of the commercial bank to lock up money in long-term investments, all these have stood in the way of joint-stock banks in lending money on immovable properties.

Co-operative banks.—At present this is the only organized institution that has been able to do something to help the agriculturists.

Indigenous banks, etc.—This class of money-lenders generally charge a high rate of interest for the little help they sometimes render.

On a rough computation I would estimate that quarter of a crore of rupees may satisfactorily solve the agricultural loan problem of this district.

The only remedy for the present trouble is the establishment of a Government bank or a State aided bank advancing money on the basis of the acreage of each farmer, the produce remaining as the bank's property till the loan is paid off, and the rate of interest not exceeding 6 per cent.

2. The important produces of my district such as paddy, coconut, pepper, ginger, coir, etc., are generally sold by the "farmer-producer" to middlemen traders from whom such produces find their market. Because of this the lion's share of the profit goes to the middleman, the actual producer getting only a pittance.

If worked on co-operative lines this method of marketing may to a great extent help the actual producer.

The existing facilities are for the raising of loans, on the security of the unharvested produce of the land, from the various banks. The facilities required are that the banking arrangements should be such that, if necessary, the period of loan should be one year, so that, if unsold, the previous stock may have some influencing force on the trend of the market in regard to the new crop or produce.

Yes. In the case of foreign trade the Indian is handicapped because if the produce is rejected at the other end as being not up to specification the man is ruined. The facilities required for foreign trade are not merely one of banking but one that would ensure a fair and impartial determination of the quality. In addition to this, banks should advance such reasonable amounts depending on the nature of the produce and in no case shall the amounts be under 85 per cent of the value scheduled on the documents, Bill of Lading or, in the case of internal trade on the railway receipts.

The existing system if any is defective entirely. The suggestion for improvement in one word is "State Reserve Bank".

Negotiable instruments such as pro-notes, hundis, bills, cheques, etc., play a great part in towns. Reduction of duty on bills will be very beneficial like the removal of duty on cheques. As far as I know there is only one class of hundi, i.e., the usual accepted form.

In my opinion sufficient protection is given by the Negotiable Instruments Act to those who are handling hundis.

Some hundis are discounted at local centres, some are sent to provincial centres, some are sent to other presidency cities while some are held by middlemen, merchants and bankers known popularly as Multanese.

Generally hundis along with railway receipts are submitted to banks on which the banks, depending on the nature of the produce, the financial strength of the party and other considerations advance amounts varying from 60 to 90 per cent. This is working fairly satisfactorily but not quite, as it depends upon the likes and dislikes of the banks' officials.

Thus licensed warehouses would be very welcome but they must be suited to local conditions.

Yes, at the early stages at least.

3. Paddy lands approximately	Rs. 1,400 to 3,000 per acre.
Coconut gardens	" 1,000 "
Pepper	" 600 "
Ginger	" 550 "

The mode of calculating the value of land is based on the annual rent. Lands fetching a rental of five paras of paddy get an average value of Rs. 100. Factors affecting the value are the proximity to road, town, river or some fresh water channel. It depends also on the fertility of the soil. Lands near hills where there are few accessible roads are about 25 per cent cheaper.

(a) The real value is never obtained, especially in Wynad taluk.

(b) The value increases a little in the court sale.

(c) In this case only the real value is obtained.

4. There is no legal impediment. There are certain peculiarities in land tenure in this district, and the matter is now in the form of a Bill before the Legislative Council.

There are no land mortgage or agricultural banks as such in this province.

This matter may be considered after the Bill referred to above is passed, because the Bill is to considerably affect the relationship between the different tenure-holders of lands in the district.

The working capital of a mortgage bank may be derived from all the three sources mentioned.

Yes, for both principal and interest.

As the Government is for the people and as such risks are not of universal occurrence, Government must take risks unlike private concerns; but Government can provide for itself by law a lien of some kind of the lands as in land revenue.

Agricultural banks may raise capital as deposits at 4½ per cent from central institutions at 4 per cent and on debenture bonds at 4 per cent. They can lend out money to the farmers on interest up to 6 per cent, and this difference in interest will meet all the expenses.

5. For each taluk the general indebtedness may be roughly taken as five lakhs. This can be obtained generally from a computation based on certain figures that can be got from the Registrars' offices. The value of unregistered pro-notes cannot be estimated in this way. For this, however, unofficial methods can be employed and necessary information obtained from professional document writers of each village and from the village headman. I would suggest that just like Census Enumerators a couple of educated honorary workers in each village may be appointed to take out statistics of the indebtedness of the village with the active co-operation of the village officers.

(a) Co-operative societies.

(b) Co-operative societies and money-lenders.

(c) Co-operative societies and Government.

(d) to (i) (1) Landlords, (2) private money-lenders and (3) co-operative societies.

In the case of private money-lenders and landlords exigency determines the rate of interest.

Yes, in some instances.

It is likely to be so.

6. There are few rice mills: these are attached to oil-mills. Mostly the paddy milled for rice is imported paddy. There is no organized daily farming though there is a great necessity for this. Gur-making is only done in the Government experimental farm at Taliparamba. No cotton-ginnery. No sugar refinery but plenty of hand-looms which are at present hard hit for various causes. Cold process soap-making which is practically confined to coconut oil is prevalent in small towns. In some parts Charka was working but now it has almost reached the vanishing point. Coir yarn making as a cottage vocation is prevalent along the coast but is confined to a particular community. The name industry is too high-sounding. I would propose calling them cottage vocation. These cottage vocations could be encouraged by establishing co-operative purchase societies where the poor producer can find a fair market. Establishment of Industrial Schools or vocational training in existing schools may help to encourage these industries.

Yes, the introduction of hand-spinning and weaving, and also coir yarn making. The conservatism of the people is responsible for confining coir yarn making to a particular community.

Co-operative societies with more capital and more efficient staff.

6-A. There are some small industries such as bell-metal making, mat-weaving, manufacture of jaggery, etc., which if properly encouraged would find employment for a considerable number of persons well versed in the arts. These are gradually decaying for want of proper support.

7. The relations are of a non-existing character. Co-operative banks are poorly capitalized and cannot conveniently give long-term credits.

An amount equal to four times what each society is now getting.

No competition as far as I know.

These concessions are bound to be appreciated, and steps in this direction are necessary. The efficiency in working these societies can be greatly increased by improving the staff.

II.—Indigenous banking.

1. *Indigenous banks or bankers.*—These are generally what in Europe are known as pawn-brokers giving money on gold and silver. They also discount hundis, cheques and help business men on pro-notes. They also receive deposits.

* 2. Excluding the Imperial Bank, as already stated, practically all banks indirectly help trade.

3. In most cases this is a one man's show. The funds are derived either from ancestral property or personal earnings. People from Sind, popularly known in these parts as Multanese have settled down in all important trade centres along the Coast and just like the Marwarees of the city, are lending money to business men at exorbitant rates of interest. They form the real bankers in the district.

The Imperial Bank of India helps these money-lenders to a considerable extent. There is some competition among these classes of money-lenders.

4. See answer to question 2.

5. By hundis and pro-notes.

By private funds and overdrafts from the Imperial Bank and other joint-stock banks.

These vary from 5 per cent per annum to 7½ per cent per annum.

6. By legislation alone or by instructions to the Judiciary not to allow more than 12 per cent per annum on any negotiable instrument executed by the agriculturist.

Yes, certainly.

7. There is no prejudice against indigenous banks.

Yes, they have ample protection under the existing law.

No.

Interest for the period is always taken in advance and compound interest is a general practice.

8. Yes. Some legislative provision for making their dealings more open and straightforward and the rate of interest in no case to exceed 12 per cent per annum. Some penal provision is necessary for those who violate it.

The attitude of such indigenous bankers to any measure for the regulation of their dealings will be certainly hostile.

9. As these indigenous bankers keep their transactions secret and as the public have no idea of their capital investment, no definite answer is possible to this question.

10. Not all. Sometimes they refuse especially when one or two business men fail; or when the nature of security offered is unsatisfactory or when they are short of sufficient funds.

11. The establishment of a joint-stock bank with the aid of the State and with local directorate is a welcome suggestion. The indigenous bankers may be connected with this institution, and with stipulated rate of interest money may be advanced to them; and they in turn shall be bound to give loans at a rate of interest to be fixed by the bank. Violation of this to be penalised.

By local directorate and State aid.

Not much chance of competition.

12. No. A reduction in the rate of interest and facilities for loans are sure to improve trade conditions and the surplus money would find use in the district itself instead of going to provincial centres.

III.—Investment habit and attraction of capital.

1. Except the Imperial Bank and three or four other banks there are no banks. Not less than Rs. 50 lakhs. Post office savings banks, joint-stock banks, co-operative banks, and chit funds known as "Kuris".

Yes. Only in towns. In the interior parts the only mode of investment is by subscribing to the "Kuri" and in many cases the starter of such Kuri has very little stake. This has proved ruinous to the poor investor. In my opinion some legislative provision like the Life Insurance Act is highly necessary. The agriculturist looks with suspicion on joint-stock banks.

Yes, in ornaments, in very rare cases.

2. Popular in towns among the middle class. Increase in the rate of interest will lead to its further popularity.

It affords facilities but is not sufficiently popular.

No competition.

3. Facilities exist but not resorted to by the public in general.

Facilities exist only by direct transaction.

Among the landed aristocracy the habit is to purchase more lands. The middle class invests on jewels and buildings and also on lands. The idea of investing in banks is gradually gaining ground.

In country parts the agriculturists render mutual help by giving seeds, etc.

They invest their surplus, if any, in Kuris.

4. It is increasing. Abolition of stamp duty on cheques has led to its greater use.

Merchants and middle class men generally. Yes, these may lead to its increased use. The use of vernacular of the district in cheques and in conducting the banking business will lead to its popularity.

5. Though the banking habit is slow in India it is steadily gaining ground. The failure of many indigenous banks in 1913 had given a setback to Indian banking but recently people have begun to appreciate that the prosperity of the country depends upon its banking resources.

Propaganda by Government and co-operative societies will increase the confidence of the people in joint-stock banks; and I would also suggest that branches of co-operative societies in rural areas should undertake banking business. Though there has been repeated demands to give practical training to young men in banking, this has not met with adequate response from the Government.

The opening of new branches of the Imperial Bank has not in any way proved beneficial to the agriculturists.

**Written evidence of T.*AUSTIN, Esq., I.C.S., Collector of Ganjam,
Chatrapur.**

1. This is purely an agricultural district. The questionnaire does not apply to the ryot population in all its aspects. The ryots borrow from sowcars on the security of land and on promissory notes according to their necessity. The interest varies from 12 to 25 per cent. They seldom borrow from co-operative societies. Some take loans from Government at fixed rates of interest for the improvement of land or for the purchase of cattle and repay the loans in easy instalments. In Government taluks, the ryots themselves are sometimes keen enough to make improvements to land; but in zamindari tracts, the tenants do not care to improve the condition of their land for fear of being rack-rented or evicted. In the Oriya tracts, the ryots are lazy and do not care to improve their status. They are always at the mercy of the sowcar. For the average ryot, there is no surplus even in a prosperous year. Except hand-spinning, basket-weaving, brass and silver work at Bellugunta, mat-making at Balliguda, and ivory work in Parlakimedi, there are few cottage industries to help the ryot in the slack season. There is scope for production on a large scale by improved methods of agriculture but capital and labour are wanting. One of the zamindars is trying, by means of an annual exhibition, to bring to the ryot knowledge of improved methods and to foster cottage industries, but his is a voice crying in the wilderness although he has made some progress since the first exhibition in 1924. For the present, the banks and the other societies have had no influence over the ryots.

Written evidence of C. W. TREMMENHERR, Esq., Special Assistant Agent, Balliguda Division, Russelkonda.

1.—Agricultural credit and credit facilities for small industries.

1 (a). The bulk of the population of my division are Khonds and Savaras whose lands have not yet been surveyed and settled. Hence they are exempt from payment of any assessment. They mainly depend upon the agriculture and are generally poor. The Oriyas who live amongst them are rich and influential. Naturally the Khonds and Savaras look to the Oriyas for money during cultivation season. They sometimes mortgage their lands to raise money, but in most cases they take money from the Oriyas on promise that it will be returned in kind when the Agency products such as tamarind, turmeric, etc., are harvested. They do not like to take money on payment of interest in cash because they find it very difficult to get ready cash and it is why when they take loans from Government under Agricultural Loans Act, there is provision to accept paddy or any other produce from them instead of cash, so that the merchants might not take the produce from the ignorant Khonds and Savaras at cheap rates. The Government are also advancing money to them to carry out their agricultural operations smoothly. But the Khonds and Savaras are still very conservative and cannot grasp the benefits of these Acts.

(b) The Khonds and Savaras are generally illiterate and do not know how to improve their lands on a permanent basis. But sometimes they themselves clear jungle and convert it into fields to grow crops. No loans under the Land Improvement Act have till now been advanced in the Agency as the people there find it difficult to repay them.

(c) The Khonds and Savaras do not pay any land revenue and when the monsoon fails and in consequence when they cannot get food-grains, they resort to eating Agency fruits, roots, leaves, etc. They also migrate to Assam and Rangoon to eke out their livelihood. The rate of interest charged by the Oriyas in the Agency from the hill-tribes is very abnormal so much so that it when calculated comes to 50 per cent or more at the maximum, but this is done by the Oriyas secretly and when brought to light it is disallowed by the competent authority. The rate fluctuates according to the urgency of the loans raised by the Khonds from the Oriyas. In the Agency money is not advanced in large sums and the manner of advances is peculiar. The Khonds do not want money, but food-grains for their family and few farm-servants. Hence they approach the Oriya sowcars for ragi, paddy, etc., during the year promising to repay it when their next crops are harvested. They take such loans in kind by piecemeal to the great advantage of the sowcars who calculate interest and compound interest as they please because they fully know that their debtors cannot pay the loans in one instalment. In few cases lands are given as security. To improve the conditions of the hill-tribes co-operative credit societies were started at each taluk headquarters with their branches at several important centres. The branch societies were closed long ago owing to the apathy of the shareholders and people. The headquarters societies are in a moribund condition for the same reason. The three societies are now chiefly meant for Government servants who get their supplies from these stores. The G. Udayagiri taluk is now opened and enlightened and we find some merchants and money-lenders who advance money on credit system. On the aggregate I estimate Rs. 50,000 is required for various purposes. The Agency people are too uneducated to understand the benefits and privileges of co-operative societies. With the advancement of education the work of co-operative societies will expand.

2. There are shandies in G. Udayagiri and Ramagiri taluks. The Agency people of Balliguda taluk resort to the shandy at Mohangiri in Kolahandy State in Orissa. The hill-tribes find better sales and more profits in these shandies. Hence they attend these markets in large numbers with Agency products. As already said, the circumstances of these Agency people are not affluent. Hence they want money as quickly as possible by selling their crops and in consequence sell it generally at

a loss to themselves and a profit to the mahajan. Their condition will no doubt be bettered if all these products are conserved at the time of harvest and sold at a later time when the prices are higher on the principles of co-operative methods. There are no Sub-Registrars' offices in the Agency. So registered documents are unknown. What we find now and then are few pro-notes.

3. Rice is the staple food in the Agency and paddy crops are grown extensively in wet lands. Turmeric is also produced in a large scale on dry lands. The value of wet lands varies from Rs. 500 to Rs. 1,000 per acre in G. Udayagiri taluk while that of dry lands from one to two hundred rupees. The abnormal price of lands which mainly depend upon rain water is due to the fact that the arable lands are very limited, the large extents being covered by hilly forests.

4. There is one legal impediment to mortgage or sale of lands and that is the Act I of 1917 (Agency Interest and Land Transfer Act). This barrier has been created specially to protect the interest of the hill-tribes who fall an easy prey to the hands of usurious money-lenders.

5. The existing indebtedness of the hill-tribes is chiefly and solely due to marriage and other social occasions and the growth of the debt by compound interest, interest not having been paid in time. These debts are due to professional money-lenders. The best way of increasing the credit facilities to these hill-tribes is to lend the money on small interest and to get it back in the shape of Agency produce. The Khonds and the Savaras are cultivating classes and cannot do without agriculture. Hence they try their best to hang on to their lands.

6. There is a class of people called Panos. They live by trading. They also take to weaving as the hill-tribes like to wear hand-woven cloths. Hand-spinning is now dead and gone and mill yarn has taken its place. The other hill-tribes do not know how to weave and they depend on the Panos. In order to provide labour to these hill-tribes, cotton crop should be extensively cultivated for which Agency lands would probably be suited. So that these Agency people will utilize their idle hours in spinning, carding, ginning, etc. To supplement this, carpentry work also should be started as plenty of good timber is available in the Agency.

II.—Indigenous banking.

Many years must come to pass when the system of indigenous banking can be worked out in the Agency with any profit. Owing to the extreme illiteracy of the people and their conservatism any provision of the Local Boards Act has not yet been extended into these areas.

III.—Investment habit and attraction of capital.

2. When there is very little money and poverty is the rule rather than the exception the habit of investment is out of the question. Moreover, capital has no attraction for the Khonds and the Savaras. They do not like to hoard money and thereby pass for rich men. They are satisfied if they can live comfortably. Their wants are very few and luxuries are unknown to them.

Written evidence of the Tahsildar, Ghumsur, Ganjam District.

I.—Agricultural credit and credit facilities for small industries.

1. By obtaining loans (1) from Government under the Land Improvement and the Agriculturists Loans Acts, (2) from co-operative banks and (3) from professional money-lenders. The other credit agencies do not exist in this taluk.

2. The producer sells the produce to the merchants and dealers in the village or takes it to the weekly market or exports it outside the taluk on demand. There are no banks or bankers to facilitate the process of marketing. The merchants and dealers act as middlemen between the producer and the manufacturer. The establishment of joint-stock banks and indigenous banks will profit the producer. No hundis are current in this taluk. The middlemen are profited during the process of marketing the produce. The ryot is generally ignorant. Government agency must be employed in the matter till the people are educated and trained in the system.

3. Paddy (rain-fed and wet) dry crops:

Rain-fed paddy lands—value per acre varies from Rs. 150 to Rs. 300.

Wet lands—value per acre varies from Rs. 300 to Rs. 1,000.

Dry lands (ragi, gram, gingelly, etc.)—varies from Rs. 50 to Rs. 150.

The factors affecting the value depend on the crop and the facilities for irrigation.

The rates mentioned above apply to lands purchased by private negotiation. Sales in Government auction for non-payment of revenue are few and far between. These lands are generally not valuable and sold for a little more than the assessment on the lands. These sold by court decree do not fetch as much as in private negotiation.

4. No such impediment—No such banks.

5. It is not possible to make an estimate of the existing indebtedness of the agricultural classes without a detailed enquiry by a special paid agency. The debts were incurred for all the purposes except (a). The debt is largely due to professional money-lending and co-operative societies. Rates of interest by money-lenders vary from 18 to 24 per cent per annum and by co-operative societies, 9½ per cent.

6 & 6 (a). There are no such subsidiary industries of any kind referred to except hand-spinning, which is carried on in a limited scale in parts. Establishment of industrial schools in which handloom-weaving, etc., are taught is the remedy suggested.

II.—Indigenous banking.

1 & 2. The central co-operative bank supplies funds to the local societies which grant loans to the agriculturists. The religious and co-operative society at Russellkonda grants loans to traders also.

3. There are 123 co-operative societies in the Ghumsur taluk. The societies work with a capital of Rs. 4,09,000. The capital is derived from deposits and funds from central institutions.

4. No hundis are used by the banks and bankers.

5. The central bank (co-operative) accepts deposits and grants loans to individuals. It also supplies funds to the local societies. The central bank borrows when necessary from the provincial bank, besides the deposit it gets from members and shareholders. It gets funds from the central bank at 6 per cent to 7 per cent and gives loans at 9½ per cent interest.

6. *Nine and a half per cent rate of interest.*—This rate may be reduced so that the reduced rate may be beneficial to the agricultural community.

7 (a). The bankers are gaining confidence of the people. There should be better establishment to supervise the work.

10. Some demands are refused on account of the security offered which is involved in dispute.

11. If the indigenous banking system is better organized and managed it can be linked with the central money market and provincial capitals.

12. No.

III.—Investment habit and attraction of capital.

1. *Deposits and loans from the provincial bank.*—Savings are invested in loans, gold and silver. People generally of this taluk are not habituated to other methods of investment as the interest is low.

2. Not popular. Higher rates of interest may attract the investment in postal cash certificates. The savings banks rules are rigid and the people generally being ignorant and uneducated do not resort to this method of investment. Only the educated classes and Government servants resort to this method.

3. The Oriyas generally invest their savings in gold and silver, loans on mortgages and sales of land. Farmers lend to fellow agriculturists on mortgage of lands and on pledges of gold at rates of interest varying from 12 to 25 per cent.

4. The cheque habit is unknown in these parts to the people. The payment of Government servants and bank employees by way of cheques may popularize the method.

5. Yes. Want of propaganda and general education. The people must be educated by way of propaganda by Government. The opening of new branches have educated the people to invest their savings in the banks.

Written evidence of M.R. By. A. S. PANCHAPAKSHA AYYAR
Avargal, M.A., I.C.S., Sub-Collector, Berhampur.

I.—Agricultural credit and credit facilities for small industries.

1 (1) (a). Borrowing from sowcars by promising delivery of paddy on favourable rates and high interest. Also by borrowing from landlords.

(b) (1) By takavi loans from Government and (2) loans from sowcars.

(c) Loans from sowcars.

(2) 12 to 24 per cent per annum; period usually up to three years and even more; mortgage of land usual security.

(3) The Government by their takavi loans and money-lenders and dealers and merchants are the usual persons who finance. Of late, the Imperial Bank also is utilized by big landlords and dealers in agricultural produce.

(4) No. It will be several lakhs for the district.

(5) High interest, improvident loans and consequent agricultural indebtedness and passing away of lands to non-agricultural classes are the chief defects. Acts against money-lenders and non-agricultural classes as in the Punjab will do some good.

(6) Not much co-ordination. Not much scope for improvement as money-lenders, usurers and land grabbers will not co-operate till forced to.

2. (1) Merchants and dealers go to the villages and buy the crops even in advance. Then they sell at great profit later on.

(2) Great possibilities provided education becomes universal. Not much in the present state of illiteracy.

(3) Land mortgage banks will aid a good deal, but they must be run by the Government.

(4) Not much foreign trade in this division. So no special difference.

(5) Sowcars market from the villages to the towns or railway stations. The Imperial Bank is the clearance house for inter-provincial and foreign trade.

(6) The post office, the Imperial Bank, private joint-stock banks and merchants' hundis.

(7) A State bank is essential to replace the present Imperial Bank. All sub-treasuries may be made its branches.

(8) Cheques and hundis and bills of lading are used.

(9) The abolition of stamp duty on cheques has been received well.

(10) There are not many hundis in those parts and each has its own form.

(11) No.

(12) Not many hundis in this division.

(13) Railway receipts and bills of lading are so used.

(14) No.

(15) Licensed warehouses run under State supervision may do some good but the trade here is not such as to require many such warehouses.

(16) Without Government assistance nothing can be done in India.

3. (1) Paddy lands from Rs. 500 to Rs. 2,000 per acre; dry lands at Rs. 50 to Rs. 500 per acre. Town-sites Rs. 500 to Rs. 10,000.

(2) (a) & (b). Much the same and lower than (c).

(c) These will be higher.

Wet and dry lands factors.—(1) Availability of constant water-supply from canals, etc.,

- (2) nearness to big towns or villages,
- (3) nearness to road,
- (4) nearness to railways and seaports,
- (5) fertility of the land,
- (6) freedom from malaria and wild beasts, and
- (7) assessment.

Town lands.—(1) Demand in the town,

- (2) supply, and
- (3) nearness to centre.

4. (1) (a) No.

(b) None except a few co-operative societies.

(2) They borrow from the central banks and lend.

(3) State-run mortgage banks will be the only solution in the long run.

(4) (a) Record of rights must be brought up to date in Government villages and must be got prepared for large zamindari areas.

(b) Simplification with adequate safeguards will do much good.

(c) The public should not be taxed for the benefit of the borrowers. But the charges can be reduced.

(5) (a), (b) & (c) From all impartially, but (b) is only an indirect form of (a) and (c).

(6) Without Government guarantee for principal and interest not much money will be got.

(7) A low rate of interest like 4 per cent.

(8) They should never lend at less than the current takavi rates which may be fixed as their rates also.

(9) Land mortgage banks are quite enough.

5. (1) * * * *

(2) I found in a big village, Atmakur, in Kalyandrug taluk, that the indebtedness was above Rs. 75,000.

(3) By enquiry in the village of each ryot confidentially.

(4) (a) About 74 per cent.

(b) Almost nil.

(c) About 26 per cent mostly on promissory notes.

(5) (a) to (i) I have not got details. All operate but (i) is negligible except among Brahmans.

(6) Mostly professional money-lenders; to some small extent Government, Imperial Bank and co-operative societies.

(7) 6 to 24 per cent according to the security, etc. Payment by persuasion or through courts.

(8) Much landed property is passing into the hands of non-agricultural classes, e.g., in Dura and numerous other villages. Merchants, lawyers and retired officials cover up a lot.

(9) Undoubtedly as he will get only his bare agricultural expenses.

6. (1) Hand-spinning, hand-milling of rice, garden produce, etc.

(2) Yes; by co-operative producers' societies.

(3) Hand-spinning, weaving.

(4) By starting co-operative societies and taking share money and deposits.

(5) Co-operative societies under the strict supervision of Government.

6-A. (1) Hand-spinning and weaving were once a staple industry in Kukkudakhandy, Padmanahapur, etc. By competition from foreign countries, especially Lancashire and Japan, these industries rapidly declined.

After 1921 there has been a little revival, yarn of five counts, as much as 100 (hundred) counts, is spun and woven by hand and handloom respectively. Without Government support and regular co-operative societies these useful industries will disappear entirely and it will be a great pity. So too the silk industry of Berhampur. Again, fishing on the coasts can be done on a large scale by Government encouragement.

(2) Many of the weavers and spinners are also farmers or at least own land.

7. (1) I do not know the intimate details. All banks resort to the Imperial Bank in difficulties.

(2) I do not know of any special difficulties.

(3) About five lakhs of rupees for this division. The important thing is that the personnel should be able, honest and business-like.

(4) Not much. The co-operative banks are not yet powerful enough. Still there is some competition in lending out moneys and in taking deposits.

(5) * * * *

(6) Both these steps will undoubtedly stimulate the growth of co-operative banks.

II.—Indigenous banking.

1. Functions—

(a) Financing ceremonies and improvements,

(b) buying up agricultural produce by forward contracts and selling to merchants,

(c) financing for agricultural operations and purchase of new lands,

(d) advancing money for bell-metal workers, carpenters, blacksmiths, etc., usually at 12½ per cent.

2. They are there first to become rich themselves. Indirectly they aid in the agricultural operations and petty industries.

3. (a) Several lakhs in this division alone.

(b) Do.

(c) Mostly collection and auction expenses.

(d) All indigenous banks are usually deadly rivals of one another. They depend on the Imperial Bank and do not fight with it as it is a quasi-Government one.

4. Can't give.

5. (1) Loans are granted on pledge of jewels, mortgages of lands, delivery of forward produce, surety bonds and promissory notes. Any term according to clients.

(2) Their own capital and deposits with them.

(3) 6 to 9 per cent on fixed deposits.

6. (1) 6 to 24 per cent.

(2) By legislation, making it illegal to take more than 12 per cent.

(3) To a large extent, yes. To some extent extravagance in expenditure on ceremonies may also increase.

7. (1) I have yet to see a ryot who loves them, but all ryots regard him as indispensable as the policeman.

(2) Amply. Their clients are to be protected from their claws.

(3) I have nothing to suggest.

(4) No. These persons are pawn-brokers, land mortgage bankers, surety-brokers and a thousand other miscellaneous things. Like the dhais they require a lot of purification before they can be useful to the community without evil effects. All these must be licensed, all pawn-brokers must be separately licensed, fixed rules for auction of things pawned laid down. Else poor debtors will suffer as now. I know personally of cases where these money-lenders charge interest before the loan was given by

deducting the first year's interest from the loan, where they wanted a solatium for parting with the money at Re. 1 per hundred and where they made unjust foreclosures and sales to themselves.

(5) See above.

8. (1) Legislation on the lines suggested above will do the needful.

(2) Legislation, the formation of district and provincial bankers' unions and the compulsory adoption of State banks as their banks.

(3) Yes. State banks may lend them at $\frac{1}{4}$ per cent less than to the general public.

(4) Opposition will be offered as their profits will undoubtedly go down. But the community will finally settle down to the inevitable.

9. 12 to 15 per cent.

10. If sufficiently high interest is offered they will accommodate all demands of an ordinary nature. Very large sums are beyond their capacity.

11. (1) Like the Lawyers to the Central Bar Association, there may be a central bankers' union at Madras. This union may be given powers to remove fraudulent money-lenders from the list of licensed persons after due enquiry through the bankers' unions of each district located at its headquarters. The State bank's branches in each district should be compulsorily the bankers for all indigenous bankers.

(2) Yes. See above.

(3) Because the State bank will be run by the Government there will be confidence in it.

(4) By its acting as a bankers' bank, it will be prevented from cut-throat competition. But a healthy competition is necessary. To indigenous banks loans may be granted at $\frac{1}{4}$ per cent less than to the general public.

12. (1) Yes.

(2) No. Indigenous bankers have no organization and the money lies idle.

(3) The above measures will do the needful.

III.—Investment habit and attraction of capital.

1. (1) Cannot estimate.

(2) Do.

(3) Postal savings banks, cash certificates, joint-stock companies, private bankers, Government and municipal securities.

(4) No. They can be extended by the reforms below.

(5) Yes. See below.

(6) This habit is as old as the 'Vedas.' Gifts of gold have been from the earliest times the best gifts.

2. (1) Yes; they will become more popular by reverting to the old price of Rs. 7-8-0 for a ten-rupee certificate.

(2) If the price is reduced to Rs. 7-8-0, there will be more interest and far greater attraction.

(3) The maximum investment in a year should be raised to Rs. 3,000 and the maximum in any account to Rs. 20,000. Four per cent interest should be given.

(4) Mostly middle classes. Teachers, lawyers, students, etc.

(5) Yes, by raising the interest to 4 per cent.

(6) Government rates on cash certificates now give simple interest at roughly $5\frac{1}{2}$ per cent. The Imperial Bank fixed deposits give 3 to $3\frac{1}{4}$ per cent. But the public are benefited by the cash certificates and there is no reason why the Imperial Bank should be favoured by a lower rate on cash certificates. The same thing applies to Treasury Bills.

3. (1) I would prefer State banks, savings banks and cash certificates. Government loans can be issued for ten rupees also instead of the lowest denomination being 100. Then small agriculturists can buy from the State banks and savings banks.

(2) Stocks and shares of all sorts are sold by banks of all kinds, merchants, etc.

(3) Farmers, especially Hindus, invest most of their savings in gold and silver ornaments for their women. When famine, pestilence, marriage, funeral, purchase of land or some other dire occasion comes these jewels are melted and the expenses met. Ceremonies absorb a lot. Lands are a passion with all Indians and rightly for, after all, the ultimate source of all riches and industries is and can be only land. Merchants, lawyers and retired officials are notorious land grabbers and raise up prices fabulously and then rack-rent.

4. (1) Except the English educated, few are addicted to this habit.

(2) On land and jewels.

(3)

4. (1) Except the English educated, few are addicted to this habit.

(2) All to the good. It saves one anna on each cheque for some other purpose.

(3) Only the English educated use cheques and that too for paying others. All Indians love to finger hard cash and avoid cheques if they can. I am not for the suggestion.

(4) Ultimately, when provinces are linguistically arranged the vernacular of the province will have to be used.

5. (1) & (2) Undoubtedly. The people of India subjected to numerous invasions are naturally suspicious of entrusting their hard-earned money to others and some banks have by their fraudulent failures increased it.

(3) All revenue officers may be asked to impress ryots about the advantages.

(4) The merchant classes and the middle classes have profited a great deal by the new branches. The effect on the poorer classes is indirect as they have few dealings with the Imperial Bank. However, paddy, cotton and tobacco dealers, middle men and brokers get loans from the bank to buy up the produce and thus slightly advance the prices of these commodities to the benefit of the farmers.

Written evidence of M.R.Ry. R. V. KRISHNA RAO NAYUDU
Garu, B.A., Revenue Divisional Officer, Chatrapur.

I.—Agricultural credit and credit facilities for small industries.

1. The agriculturists in Chatrapur division obtain finance to a large extent from local money-lenders for the expenses mentioned in (a), (b) and (c). Only about 10 per cent of the finance is obtained from the co-operative banks. With the local money-lenders the rate of interest ranges from 6 to 12 per cent when lands are mortgaged and from 12 to 18 per cent when no security is offered and in the case of pro-notes the rate of interest ranges up to 24 per cent.

The interest charged by the co-operative banks is only 9 per cent, but in spite of the comparatively low rate of interest the ryot prefers to go to the money-lenders, as repayment of the loan or interest at a specified time is not strictly enforced, the security taken being disproportionately high in value compared with the loan advanced, and as the money-lender has a tendency to allow the interest (simple and compound) to accumulate so that the property offered as security may eventually be claimed by him for the amount originally advanced. The co-operative societies insist on regular payments. For this reason, the borrowers do not resort to these societies in large numbers.

3. The approximate values of the lands are noted below and the difference in price fetched ordinarily is not marked either when sold for non-payment of revenue, or by court decree or by private negotiation.

	RS.	RS.
Dry coconut tope	1,000	1,500 per acre.
Plantain tope	400	500
Groundnut and hemp yielding lands	200	400
Other dry lands yielding ragi, gingelly and horsegram	100	200
Wet lands under I and II class irrigation sources (superior soil)	600	1,000
Wet lands under I and II class irrigation sources (inferior soil)	400	600
Wet lands under I and II class irrigation sources (other sources)	400	600
Irainfed lands	200	300

4. There are no impediments to mortgage of land by the agriculturists. Mortgage banks and agricultural banks do not exist in this division and the advantages of having these banks cannot therefore be realized and availed of by the people.

5. The debt of ryot population is largely due to professional money-lenders whom the agriculturists approach for timely assistance for purposes mentioned in (a) to (d) in the first instance. Necessity compels them to accept the conditions imposed by the money-lenders and the poverty and unbudgeted expenditure of the agriculturists which is partly due to want of enlightenment, leave the debt to grow with simple and compound interest until demanded by the creditors.

II.—Indigenous banking.

No banking exists in this division.

III.—Investment habit and attraction of capital.

The savings are small and the few that save something lend it to local men at a high rate of interest or invest on lands purchased or improved.

General.—Starting of agricultural banks may however give some relief to the agriculturists at the present situation.

Written evidence of Khan Sahib MUHAMMAD MOINUDDIN
KHAN SAHIB Bahadur, B.A., Revenue Divisional
Officer, Chicacole.

1.—Agricultural credit and credit facilities for small industries.

1. Agriculturist has to be considered in two aspects (i) the agriculturist owning lands and cultivating the lands himself and (ii) agriculturist who does not own lands but cultivates lands of others on lease or for a share of produce. He is referred to as cultivating tenant in the answers. (a) The expenses of cultivation concern the person actually cultivating the lands—whether he is the owner or a cultivating tenant. The agriculturist owning lands and cultivating lands himself is generally in affluent circumstances in the taluk and generally he has sufficient stock to meet the expenses of cultivation. It is the cultivating tenant that goes in for borrowing grain for expenses of cultivation. He borrows generally from the local sowcar's grain for interest in kind. (b & c) The cultivating ryots do not make any permanent improvements as they are not landowners. Hence no capital is spent by them. Where the agriculturist himself is the landlord he does improvements economically contributing as much labour as possible from his own family members and engaging coolies where absolutely necessary. Generally he does not borrow and improve. In cases of absolute necessity he borrows on a limited scale from the local sowcar or at times from Government on security of his lands and he clears these loans conveniently. Where the agriculturist happens to own a few acres and is also the cultivating tenant he does not scruple to spend the landlord's share of produce on lands he owns, keeping in arrears what the landlord has to get. The agriculturist generally borrows from the local money-lenders. The rates of interest on money is from Rs. 12 to Rs. 18 per cent per annum. At times it rises up to Rs. 24 per cent per annum. When grain is taken on loan it is taken at 5 kunchams per putty (a garce consists of 30 putties) both principal and interest being payable at the coming harvest. The Government give loans for the purchase of seeds and cattle under the Agricultural Loans Act and for the improvement of land under the Land Improvement Loans Act. The ryot prefers the local sowcar as he is close at hand. The landowners borrow from Government. To my knowledge, the Imperial Bank of India has not in any way helped the agriculturist and no one has taken any loans from the bank for his needs or for agricultural operations. Except the local money-lender or sowcar no company has in any way been useful for the general agriculturist. The amount required for the Chicacole taluk cannot be estimated except by a detailed enquiry. However, it is estimated at 5 lakhs. On the one hand it has to be admitted that no help is available to the general agriculturist and he is being ruined by the usurious interest charged on him by the local money-lender.

2. The staple food crops of this division are (1) paddy and (2) ragi. Groundnut is cultivated to a great extent. There are rice mills in the division and paddy is taken to the rice mills to prepare rice. The village co-operative banks at various centres may afford relief. On the other hand from the banker's point of view, I have to point out that the village agriculturist in these days is not particular to make regular repayments. Any opportunity to evade or postpone repayments he seizes and there is enormous trouble in realizing what is advanced to the village agriculturist. The chief desideratum of reliability and honesty of purpose is wanting in the village agriculturist and hence the local money-lender who has scope to watch his borrower is able to get on with such men. The millowners export the rice to Vizianagram and other places. All the mills except those in Chicacole are situated near the railway stations. The ryots carry the paddy on country bullock-carts to the railway stations. There is no road communication to several interior villages and during rainy season the ryots find it difficult to take the commodity to the railway station. Ragi is not exported. It is mostly used for consumption in the division. Groundnut is also taken to the railway stations as there are husking mills. Raw groundnut is also exported. On account of loan system in these rice

and groundnut mills the marketing of crops is in a most unsettled state. Men with very little ready capital and turn over are trading on large scales. They compete among themselves, increase rates, purchase produce, borrow from the Imperial Bank on those commodities, pay in part to agriculturist and in the end when there is no proper market for the produce, find themselves baffled being unable to bear interests, etc. Owing to this sort of speculation with borrowed capital, some of the agriculturist get high prices, but others lose when the merchant fails. In the case of groundnut, it is observed during the last two or three years, that the price has been going down after the produce reaches the sowcars. In my opinion the loan system of the Imperial Bank on security of produce at mills is responsible for high prices of commodities. The agriculturist expects high prices but actually he is not able to realise finally as much as he expects. There have been disappointments. Hundis are not current in this division. I do not think that Government interference is necessary. In my opinion, the credit facilities afforded by the Imperial Bank are being misused inasmuch as the marketing goes on with borrowed capital. Failure of such merchants will adjust matters in the long run. Such men raise prices recklessly and make the market dull and leave the field. The establishment of warehouses on co-operative basis in important village centres with the help of Government will be necessary.

3. Paddy growing lands commanded by river channels are being sold on the average at Rs. 600 per acre. Owing to prices of groundnut, dry lands also command sale, but the prices depend on localities. Competition amongst cultivators is rare in this division.

3. (a) It has always been found difficult to find purchasers for lands sold for arrears of revenue. Generally such lands are very poor in fertility.

(b) In the event of sale by court decrees lands fetch good price.

(c) The sellers are generally the non-cultivating class. In non-Government villages lands are sold for low prices. As above stated the competition amongst cultivators is rare. The landlord's share is not properly given. The cultivator has more extent than he can cultivate. As the landlord's share or melvaram is not got, the prices of lands are going down. Investment on lands are not now on the increase. The absentee landlords evince a desire to dispose of lands but purchasers for proper prices are few. In villages where landowners are the cultivating class or where there is competition amongst cultivators, proper prices are obtained.

4. There is no legal impediment for mortgage of lands in the division. There are no banks. It is unsafe in this division to advance moneys on security of lands. Tracts comprising of a number of villages are inhabited by particular sects of people. It is only for land sales by civil courts in suits among themselves that purchasers come forward, but when the sale is held at the instance of a bank, or a society or even Government, all the villagers combine and there is a dead lock. There are no purchasers. I doubt if mortgage banks can work successfully in a division where ready purchasers cannot be found for property secured and villagers usually combined being of one particular caste.

5. The estimate regarding the indebtedness of agricultural classes can be made with reference to registration particulars and from income-tax enquiry records. It is not possible here. The debts are incurred on marriage and social occasions and when crops fail. The creditors are professional money-lenders. Instances of efficient farmers being turned out of the holdings are very rare.

6. Hand-spinning on a small scale is prevalent in a few villages. The other subsidiary industries are not in vogue in this division. Hand-spinning in summer will be a useful avocation.

6-A. Nil.

7. No information can be furnished.

II.—Indigenous banking.

No indigenous banking.

III.—Investment habit and attraction of capital.

1. Investment habit is rare in this division. There are full facilities for investment in postal and co-operative banks. The habit of investment in silver and gold has decreased.

2. Not taken advantage of.

3. The farmers in a prosperous year invest their savings on house building in villages in this division.

4. The cheque habit is unknown in villages.

5. I admit that banking and investment habit is of slow growth. It is due to want of co-operative principles and in village life envy at the prosperity of another is very keen. Envy appears to be the evil cause which retards progress. To educate the masses in higher principles of welfare of fellow being, teaching them truth and honesty seems necessary. Unless character is formed in the villager, it is not possible to carry banking successfully. The opening of new branches of the Imperial Bank has placed loan capital in the hands of speculators who had landed property. Failure in expected high gains and the interests to be paid by these borrowers have brought on losses and the sale of these landed properties.

**Written evidence of M.R.Ey. Rao Bahadur R. V. KRISHNA
 AYYAR, B.A., M.L., Secretary, the Madras Legislative
 Council.**

III.—Investment habit and attraction of capital.

2. As regards the postal cash certificates referred to in section III of the questionnaire, I think that they are fairly popular in this province. Persons who are desirous of investing in them feel that the maximum amount of cash certificates that can be held by any one individual, namely, face value of Rs. 10,000, is too small. I myself have invested money in post office cash certificates and should like to invest more money in them. I suggest that the maximum may be increased to at least Rs. 50,000. On account of the low rate of interest on these certificates, ordinary people do not go in for them, but associations having trust funds and Government servants who would like to have their money secure in a safe investment prefer this class of security. I do not think that in affording this method of investment the Government are really competing with banking institutions and bankers who can never afford a substitute for this kind of investment. I would also suggest that instead of these cash certificates being available for a period of five years with option for renewal in the case of certificates purchased before 1st March 1926, all cash certificates may be available for a period of ten years.

**Written evidence of M.R.Ry. T. E. V. SARMA, M.R.A.S.,
President, Bench Court, Chingleput, and Director, the
Co-operative Land Mortgage Bank, Ltd., Chingleput.**

1.—Agricultural credit and credit facilities for small industries.

1. The agriculturist in our district ordinarily obtains finance from the indigenous bankers and local money-lenders for (1) expenses during cultivation, (2) for other purposes such as, failure of monsoon, for land revenue, and for family expenses and (3) for capital and permanent improvements. Sometimes the agriculturist obtains finance from the co-operative societies also. The majority of agriculturists get advances for capital and permanent improvements from the private money-lender as ordinarily the latter advances about 60 per cent or sometimes even 75 per cent of the current market value of the land. Moreover these money-lenders advance money whenever necessary without any delay. The interest charged by them is abnormal ranging from 12 to 50 per cent.

Cash loans as per particulars below are obtained by the ryots from private money-lenders in this district:—

Periods for which money is advanced	Nature of security offered and accepted.	Rate of interest.
Up to 4 months (below Rs. 200).	Crops—groundnut, paddy, ragi, etc.	Interest fixed in kind working at 24 to 48 per cent.
Between 4 months and one year.	Pro-notes and personal security.	18 to 50 per cent and in stray cases 12 to 15 per cent.
One year to 3 years	Do. ..	15 to 18 per cent and in stray cases 12 to 15 per cent.
Three years to 12 years ..	On mortgaging immovable unsecured property.	Usually 12 per cent and in stray cases 10½ per cent.

To my knowledge, the Imperial Bank or any joint-stock bank does not help the agriculturist in these parts. The chief source of help to the agriculturist is the professional money-lender of the village and the village co-operative society. The latter with its strict rules and a directorate consisting of party adherents is not of great help to the agriculturist. The village money-lender helps the ryot during all seasons. Since there is no competing agency his rate of interest is always very high.

It seems to me that there is one way to remedy this state of affairs. In every municipal town arrangements should be made to open a branch of any one of the joint-stock banks. These branches should be the general financial organization to the masses. They should be financed mostly by the proposed central reserve bank with Government funds. The indigenous bankers and professional money-lenders will be gradually attracted to these banks and if there be competition afterwards it will be a healthy one. They will then naturally supply funds also to these branches of joint-stock banks. Such banks, if established, should have a local directorate in which may be represented the indigenous banker and the private money-lender. The only necessity for such a state coming into existence is Government help. The Government should encourage the joint-stock banks in the same way as they do with the Imperial Bank by depositing their surplus funds in these banks.

2. *Marketing of produce.*—The dealer of village produce advances not less than 50 per cent of the estimated value of the produce two or three months beforehand. The price is fixed when advancing money, without any consideration of the rates in the foreign market. Thus the cultivator is bound down to deal with the same merchant from whom he got the

advance even though the price of his produce be highly favourable to him on the day of harvest. But the marketing of the village produce is done with a view to get cash immediately for pressing expenses of the family.

To avoid this loss to the cultivator a system of warehouses or grain depots should be established by each co-operative society in its headquarters and the Government should help the establishment of such depots in all possible ways.

3. *Value of lands.*—The value of lands in court sales is usually about 25 per cent less than the value by private negotiations. Lands are seldom auctioned in these parts for non-payment of land revenue unless the lands be useless for cultivation in mountainous or sandy tracts. The average price of wet lands per acre is Rs. 600 and that of dry lands about Rs. 100 per acre.

4. *Land mortgage banks.*—There are several land mortgage banks in this district. These provide long-term credit to the agriculturist usually for periods between 20 and 25 years. The rate of interest charged at present is 9 per cent—the principal and interest being payable in equated payments for twenty or twenty-five years.

These banks obtain funds by floating debenture bonds in the market against the security of mortgages obtained by them in their favour. Limitation upon the total of such bonds is generally fixed at twenty times the paid-up share capital and reserve of the land mortgage bank. To ensure public confidence valuation of lands proposed to be mortgaged must be scrutinised more strictly by the Registrar of Co-operative Societies. He must hold assignments of the mortgages on behalf of the debenture holders. These will then be trustee securities and *trust funds* could then be invested in the land mortgage banks.

The land mortgage banks must possess special and extraordinary powers regarding foreclosure, taking the properties mortgaged in their hands for management if the annual instalments are not paid punctually. Since these banks are in the experimental stage and as the instalment amounts are small, it is hoped that no such contingency will arise.

At present the Registrar of Co-operative Societies examines the title-deeds, etc., of the borrower's lands and this takes much time sometimes even four or five months. To avoid all this delay and to issue debenture bonds in time to purchasers of the same a special officer must be appointed for every ten land mortgage banks; this officer will finally examine the value of properties, mortgages of which are assigned as security for the debenture holders, and only after he approves the security as sufficient that debentures should be issued.

Usually the land mortgage banks work under deficit for the first one or two years. To avoid this loss the borrower may be made to pay about 1 per cent of the loan amount to cover necessary expenditure in connexion with the preparation of the mortgage, the registration, the valuation of the properties and other incidental expenses.

Lastly, the land mortgage banks should have sufficient State control. The central land mortgage bank to be started at Madras should have a very strong governing body in which the Government should also be represented by a fourth of the total number on the Board since the Government have to purchase debenture bonds for at least half the amount required by the primary land mortgage banks. The board so constituted should have a general supervision of the whole system of long-term banking in this Presidency. They must possess powers to organize land mortgage banks, to regulate interest rates and other charges on loans, to audit and examine the affairs of the primary banks and to supervise the issue of debenture bonds.

With the establishment of such long-term credit banks the primary co-operative societies should only advance money for only short periods—say, between three and five years at the most. Consequently the primary societies and the co-operative urban central banks will receive short-term deposits only, as a result of which long-term deposits will flow into the central land mortgage bank very easily.

Co-operative societies.—It is a well-known fact that the three co-operative banks, viz., the village bank, the district bank and the provincial bank are working for the benefit of the rural population. The provincial bank advances money to the district banks and they in turn advance to the primary societies. But the provincial banks get deposits from the Imperial Bank and the joint-stock banks, and these advances are for short terms only. This is a great disadvantage to the co-operative movement. The co-operative banks can help the agriculturist if only the funds locked up by the Imperial Bank on landed properties are advanced immediately to the provincial central co-operative urban bank so that they may make the advances.

Since the co-operative banks are intended to help the agriculturists and the poorer classes, a lower rate of interest must be adopted. If this should become practicable the Government should deposit considerable amounts in provincial co-operative banks, free or at nominal rates of interest. In addition to this help the Government must admit debentures issued by co-operative banks as "Trustee securities."

II.—Indigenous banking.

The Marwaris and the Nagarathars may be classed under this head in this district. They are the prominent money-lenders. They do not advance money for industries other than small domestic industries, petty trades, and for cultivation and family expenses. Whenever such advances are made the professional money-lender undertakes to take up the produce at a scheduled price fixed beforehand. In all such cases the produce is sold to him immediately after harvesting is done. The ryot is thus unable to get a reasonable price for his products.

The Nagarathars and the Marwaris probably obtain deposits at rates ranging between 4 and 6 or 7 per cent. But they advance moneys to agriculturists at rates between 12 and 50 per cent only for short terms. These money-lenders are somewhat unpopular among the public as their rates of interest are very high and their terms are usurious. They undertake risky advances which any bank would not do; these people have good knowledge of local conditions and they adjust their business methods to the habits and conditions of the people of their locality.

Some reform or other is necessary in indigenous banking and professional money-lending business. These should be brought under some regulation.

To establish a good banking system on a firm footing and to increase the resources of this Presidency the status of the joint-stock banks should be improved. The Imperial Bank must not be allowed to open more branches and it must not do much of local business. The exchange banks should not attract Indian capital; the professional money-lenders should be brought under certain regulations.

III.—Investment habit and attraction of capital.

Gold standard.—The necessity of placing India on the basis of a gold standard and a gold currency cannot be over-estimated. These have been asked for unanimously by all sections of the people of India and the Government should show more sympathy to this just demand of the people.

It is high time that some regulation is instituted to obstruct people from converting gold into jewels thus creating a "dead capital."

Insurance companies.—A good portion of premium receipts of Insurance companies working in India should be invested in Indian securities. The companies should have no option to deposit otherwise. The Government should have the voice of a 'dictator' in this matter. The Insurance companies will thus not only secure the confidence of the people at large, but will be indirectly improving the condition of Indian industries. A healthy insurance habit will be developed and this will be helping Indian banking a great deal directly.

Postal cash certificates.—In the interests of Indian banking the system of issuing postal cash certificates should be stopped. Their rates are

competitive to investments in joint-stock banks. The money thus invested in post office cash certificates deprive Indian trade, industries and agriculture of sure and certain help. If the issue of these cash certificates are stopped greater deposits will flow into the joint-stock banks.

Savings banks in post offices.—These are indispensable as they are at present constituted and they are of great help to the poorer and the middle class people who are employed on monthly salaries.

4. *The cheque habit.*—The cheque habit must be encouraged among the people in many ways. Clerks and others (under the employ of the local boards and the Government) whose remuneration is over Rs. 75 per month and who have accounts in any bank should be paid by cheques. This would be advantageous if facilities are given for the collection payment and free circulation of cheques. Banks must open accounts with cheques of small amounts and must be made to agree to maintain small balances and to allow cheques for small amounts to be drawn on them.

The general public do not favour the cheque habit owing to many disadvantages obtaining at present. Now any bearer cheque is effectively altered by subsequent endorsements. This throws extra work and responsibility on banks without any extra advantages. Cheques are sometimes endorsed in the various vernaculars. In such cases the bank which is to pay the amount has to correspond with the bank which is to collect the amount. The latter is unable to trace out the endorsing parties and not willing to shoulder any responsibility, returns the cheques uncollected.

It is therefore highly necessary that cheques should be made to exist just as any Government currency note, in spite of any signatures, etc., upon it. These may be styled 'currency bearer cheques.'

When large amounts are paid by cheques and through a third person the above cheques will not be of advantage. In such cases a different kind of cheque is necessary. These must be payable to order and must bear endorsements upon them to that effect. These may be called order cheques, more or less of the type of cheques now in vogue.

For businessmen and firms the two varieties of cheques will not be convenient. For them crossed cheques payable only through banks will be advantageous to use.

Thus to create a cheque habit the following three kinds of cheques must be instituted:—

- (1) The bearer cheque to be current just as a Government currency note.
- (2) The order cheques payable as per endorsements upon them.
- (3) Crossed cheques payable through banks.

**Written evidence of M.R.Ry. K. V. KRISHNARAO NAYUDU
Avargal, Tahsildar, Gannavaram.**

I.—Agricultural credit and credit facilities for small industries.

1. (a) He will pay himself either in grain or in money. If he has no money or grain he will borrow money from some money-lender or co-operative societies.

(b) He will invest capital if he could spare or else borrow.

(c) There is generally no failure of monsoon. Even if there is failure it does not affect this taluk. Being a zamindari one and in delta villages where there is irrigation under Kistna river, the monsoon failure has very little effect.

Rate of interest 12 per cent to 18½ per cent.

The period ranges from three to six months.

On pro-notes generally or in rare cases on mortgage of lands. Takkavi loans by Government.

Loans are granted by the Imperial Bank on mortgage of paddy.

Loans are advanced by co-operative societies also. Money-lenders also advance money for higher interest.

Other banks have no dealings in this taluk.

Total estimate cannot be given without getting any statistics. I cannot find out any defects unless study is made on the subject.

2. The paddy and other grains, etc., are being taken mainly to Bezwada and local factories.

The owners of rice mills purchase paddy soon after harvest. The paddy taken to Bezwada is being disposed of by commission agents in Bezwada.

There is no hundi system in this taluk.

As regards other points I cannot give any opinion offhand.

3. Wet paddy fields in canal irrigated areas Rs. 1,000 to Rs. 1,800.

Wet paddy fields (under tanks) (zamindar) Rs. 300 to Rs. 800.

Dry fields irrigated with dufassal crops Rs. 1,000 maximum.

Dry fields irrigated with ordinary crops Rs. 1,000 maximum.

In cases of (a) and (b) the price would be nominal if there be no benami transactions or combinations.

In private negotiations the value would be sometimes above the normal on account of proximity of the land to the purchasers' already existing fields or to the village-site.

4. No.

There are land mortgage banks or agricultural banks.

I cannot suggest any means offhand.

I cannot suggest any measures for (a), (b) and (c).

5. The question cannot be answered unless careful enquiry is made in villages which cannot be done in this short period.

6. The people are not generally willing to take up any other industry. In cultivation season they cannot take up any other work except looking to the fields. In non-cultivation season they attend to manuring their fields and other activities connected with the improvement of their lands, e.g., forming ridges levelling, etc.

7. I cannot give any opinion.

II.—Indigenous banking.

1. The ryots generally take advances from the commission agents at Bezwada to whom the paddy or other grain is sent for sale.

2. & 3. It depends upon the capital the commission agent invests. He does not finance for any trade or industry. There is no indigenous banking system in this taluk.

4. There is no hundi system in this taluk.

The ryots generally go and receive advance amounts in person.

5. They lend money on pre-notes for big amounts and for small amounts they obtain the signature of the ryots in their cash accounts.

These bankers for the most part invest their own capital and when necessity arises they borrow from marwadis, etc.

6. Generally at 12 per cent.

7. So far as I know there is no prejudice. The banks are sufficiently protected in law.

8. I cannot suggest.

9. I cannot say.

10. I cannot answer.

11 & 12. I cannot suggest any means offhand.

III.—Investment habit and attraction of capital.

1. Co-operative societies, merchants at Bezvada, Imperial Bank, local money-lender. The public if they desire can invest their savings in postal savings bank, purchase postal cash certificates or deposit in banks as fixed deposits. The population of this taluk are generally inclined to invest a portion in jewels also not only as a decoration but also with a view to provide for their family in case of death of the earning member without leaving any capital.

2. I do not know. The savings bank facilities are being afforded to the public only. Official class who lay by short sums every month resort to the savings bank account; others invest elsewhere since rate of interest is higher than the savings bank account.

3. I cannot offer any remarks. The people are now generally in the habit of purchasing lands or raising *pukka* buildings with their savings.

4. There is no cheque habit in this taluk.

5. Opening of new branches by the Imperial Bank of India afforded some facilities to some enterprising people to borrow money and invest the amount in the purchase of motor cars, constructing rice mills, etc.

**Written evidence of M.R. Ry. S. RAJARAO NAYUDU Garu,
B.A., B.L., Tahsildar of Kaikalur taluk, Kaikalur.**

1.—Agricultural credit and credit facilities for small industries.

1. (a) For expenses during cultivation, the ryots of this taluk generally borrow from one or other of the money-lenders living in the villages of Rachapatnam, Varahapatnam, Rudrapaka, Unikili, Mandavalli, Kaldindi and Lingala. There are no professional money-lenders in the other villages of this taluk. Further, as the number of money-lenders is small, the rate of interest demanded is rather high owing to want of co-operation. Those ryots who feel unable to pay the high rate of interest demanded by the money-lenders apply for loans to the Revenue Department for grant under the Agriculturists Loans Act as the rate of interest charged by the Government is comparatively low.

(b) For the improvements of the land, the ryots take loans from the professional money-lenders and merchants as detailed above at 9 per cent to 12 per cent interest on the security of the land for a period varying from three years to twelve years and also from the Government under the Land Improvement Loans Act at a lower rate of interest of 6½ per cent on the security of land for a period of three years and upwards according to the sums applied for. Besides the above, there are professional lenders who lend paddy on the namu system. The system is generally prevalent in the villages of Kallapalam, Gopavaram and Lingala villages of this taluk. These money-lenders generally get 50 per cent interest by the namu system. The security offered is the standing crop raised by them in the assessed and unsurveyed tracts.

The villagers of Pulaparru, Kovvada, Penumakalanka, etc., borrow money from the money-lenders at Madepalli of Ellore taluk, while the villagers of Kolletikota borrow money from Akidu, Bhimavaram taluk.

(c) At the time of failure of monsoons and on other special occasions such as cyclones, etc., the ryots seek the assistance of the abovesaid professional money-lenders and that of the Government. The money-lenders taking advantage of such emergent occasions demand a very high rate of interest ranging from 18½ per cent to 37½ per cent and give loans on the security of the expected crop of the same year for a period of six months or on a pro-note. On such occasions Government grant loans at the rate of usual interest of 6½ per cent freely according to the needs of the ryots on the security of land for a period of three years and upwards in view of the sums applied for.

Co-operative banks also are giving loans to the ryots at a moderate interest of 10 per cent in the three cases mentioned above on security of sureties or on the land for periods varying according to the sums applied for. On account of the existence of these co-operative banks and the grant of loans by the Government some relief is afforded to the agriculturists but it is not adequate. Still the ryots are not completely free from the clutches of these high usurers for want of sufficient number of co-operative banks everywhere. The increase in the number of the co-operative banks and their presence in every nook and corner of this taluk is essential.

3. The value of land per acre for different kinds of crops is detailed below:—

The condition of the agriculturists in this taluk is somewhat more precarious than that of the agriculturists of other taluks owing to its situation at the extreme tail end in delta system, and also the submersion of the lands by Upputeru, Collair and other drains. Consequently the wet lands of this taluk do not sell very high. Their market value ranges from 100 rupees to 700 rupees per acre. The land values are likely to rise still

further as a result of the opening up of the railway line, and the laying out of the road to Ellore and the improvements which are likely to be effected to some of the channels.

Other crops are raised on a very small scale and the rate of such land per acre ranges from Rs. 10 to Rs. 100. The soil of this taluk is almost unfit for dry cultivation owing to the existence of the Collair lake and innumerable drains in a very large area.

The rates given above relate to the value of land purchased by private negotiation and fall under 3 (c). As regards the value in the cases mentioned in 3 (a) and (b) it cannot be definitely given. It depends entirely on the competition among the bidders present at the time of the auction. In cases of keen competition, the value is almost the same as that realized in purchase by private negotiation.

**Written evidence of the Secretary, the Anantapur District
Co-operative Central Bank, Limited, Anantapur.**

I.—Agricultural credit and credit facilities for small industries.

1. (a) The village sowcar is generally looked to and he still retains his hold upon the agriculturists. The Government also comes to his help in granting him loans under the Takavi Loans Act, the Agriculturists Loans Act and the Land Improvement Loans Act.

The co-operative societies, wherever they exist, grant loans for all purposes referred to in the question. The co-operative societies grant loans as at present up to a maximum period of five years at 9½ per cent payable in instalments.

Loans by the Government are now granted at 6½ per cent and the period of loan ranges from one year to 30 years. The present rate of the sowcar ranges from 9 to 36 per cent, 12 per cent to 18 being very general. Government accept only landed property as security. The two other agencies accept both immovable and movable properties as securities. The Government and co-operative societies do not accept any prior encumbrances.

The Government grants agricultural finance in the manner described above.

Imperial Bank.—The Imperial Bank does not operate in our district, though there is much need for it.

The Joint-stock Banks.—The joint-stock systems in vogue in the district are known as *nidhis* or mutual benefit funds. They mostly exist in the headquarters of the taluks and mainly work with their share capital. They grant loans to all members either on personal security or on the security of immovable properties. Their loans extend to all purposes and are generally repayable in 45 months.

Co-operative banks.—These are varied in their activities. Banks situated in the towns or in the urban areas as contrasted with the rural areas grant loans both for agricultural and non-agricultural purposes. But the rural societies extend their operation mainly to agricultural needs and the clearance of past indebtedness. There are also societies known as loan and sale societies situate in all big places in the district which grant loans on the security of the produce to the extent of 60 per cent of their value. But they are not yet very popular, having been recently started.

2. The principal crops for marketing are groundnuts, jaggery, horsegram, tamarind, cotton, tobacco, paddy and jonna.

The agriculturist mostly sells all crops to the merchant or other trader for the season in his village at a price far below the market value in the central market, often in ignorance.

The merchandise is generally taken to the taluk centres in bullock-carts and then sold to mandi merchants, who in their turn send out to outside districts.

In the case of cotton and groundnuts foreign companies have their agencies in all market centres and accept goods.

There are no indigenous banks in the district. Indigenous banking is not done on any extensive scale. The capitalists in the district are mostly the sowcars who are very calculating in their demand for interest.

There is a firm in the district headquarter which deals in fertilisers having its branches in one or two places. It also grants loans at favourable rates in the matter of purchase of manure.

It is not possible to estimate the amount of capital required for the above purposes. The district is generally very poor. The ryot is in a hopelessly indebted condition, having had to face several successive famines in the past years. Roughly it may be about five crores.

Defects in the present system.—The loans under any of the acts above-mentioned are not easily procurable. There is much of red-tapism in the grant of loans. We would suggest and recommend the grant of these loans to be through village societies or the village panchayat where they exist.

As regards the co-operative societies they have been serving and relieving about 5 per cent of the population. Besides, the co-operative movement is not properly understood in the district in spite of its existence in the district for over 15 years. It is still in the hands of a few and has not made much headway among the masses. Lack of literacy among the masses and the short duration of loans stand in the way of the ryot being helped out of his difficulties.

There is not much of co-ordination among these various credit agencies. Co-ordination is possible and can be successfully attempted.

The ryot generally receives advances from the sowcar long before the produce is gathered under conditions of paying interest on the advances, agreeing to sell his produce to the very merchant, usually at a rate cheaper by $3\frac{1}{2}$ to $6\frac{1}{2}$ per cent compared to the market rate, and thus sells his produce at a discount. In other cases he has to depend upon the commission agent and lose much by way of commission for securing the sale of his produce. The existence of loan and sale societies has the capacity to solve the problems to a certain extent. The rural credit societies themselves have to organise this branch of activity by pooling all produces in the village area and selling them in the season at favourable rates. The present system of weighing in use affords ample opportunity to defraud the ignorant ryot; weighing machines of larger units will relieve.

Internal remittance.—The hundi system is in vogue in the district. Considerable amount of money is circulated in this way. Some foreign agencies draw amounts also from the treasuries for marketing purposes, as for example, the Volkart and the Rully Brothers, who have their agencies in the district and draw their amounts from the treasuries and the Imperial Bank branches.

The co-operative societies also encourage circulation of money in the district by accepting cheques from other sister societies. Facilities must be given for the remittance of funds by co-operative societies for smaller amounts than Rs. 150. Complete remission of money order commission may be granted to the co-operative societies. Recognition may be given by the Government to the central banks for the transfer of funds just as the branches of the Imperial Bank are doing now.

In common practice, for want of correct knowledge, deficit stamp is affixed to pro-notes and unjust hardship is felt by the people when they are compelled to go to court—as insufficiently stamped pro-notes are inadmissible in evidence.

It is very necessary that the old uniform stamp of one anna for all pro-notes should be restored or that negotiable instruments also should be made admissible in evidence on payment of the deficit stamp duty and penalty as in the case of other instruments. The existing Act may be amended to permit this.

Instruments of ownership.—Generally, the railway passes and the receipt of invoices are pledged to secure loans for marketing purposes.

3. *The value of land for different kinds of crops.*—Wet lands under a good tank or river or under wells are sold at Rs. 1,500 to Rs. 2,000 per acre, the reason being that the permanency of the crops is ensured and marketable produce is grown, such as sugarcane, etc. Well-grown sugarcane crops on one acre yield nearly Rs. 800 even in ordinary years. Hence it is wet lands that fetch such high value.

The value of the other wet lands where we grow other kinds of crops, as for instance, paddy, etc., varies from Rs. 100 to Rs. 1,000 according to the ensured irrigation facility and the annual yield never exceeds more than Rs. 200 to Rs. 250 per acre even in the best of years.

Next to these come the dry lands which are divided into black-cotton soils and red-soil lands. The value per acre in the black-cotton soil ranges from Rs. 100 to Rs. 250 and in the red-soil from Rs. 50 to Rs. 100. All kinds of dry crops are grown on these lands. The prices of these red-soil lands have increased in recent years owing to the extensive cultivation of groundnuts. Besides these, there are well-fed lands, which are as costly as wet lands, though much labour and capital are required in raising crops on them—

(a) If the sale is well advertised, the lands fetch their normal prices. Otherwise, they fetch a much lower price than that obtained through private negotiation.

(b) The sales of land under court decrees always fetch lower prices than the normal rates owing to the fear of several claims and cross claims.

(c) They fetch a normal price.

4. No impediment.

No institutions for granting long-term credits.

We would very much desire that a land mortgage bank is established in each taluk headquarters with funds raised by debentures. Now that lands fetch very decent prices there is no trouble in raising debentures with the present Government guarantee. Before the bank is established, we would like an economic survey undertaken of the villages and test the indebtedness of the population and grant such long-term loans to needy agriculturists, leaving them a fair margin for their maintenance, with a view to ensure the loan being cleared up within the period.

(a) The present title-deed known as *patta* granted under the ryotwari system is no instrument of title and is not recognized as such by the courts. If possible, we would recommend their being recognized as instruments of title and thus avoid much speculative litigation.

(b) We would be very unwilling to give the power of foreclosure to the financing banks, as at present we fear that we have not got intelligent elements to appreciate the dangers attaching to premature foreclosure.

Capital of mortgage banks.—To start with, the Government must guarantee the principal and the interest on debenture bonds and, as conditions improve and people come to know the utility of such banks, this will attract also local deposits and the central banks also will be willing to advance loans on long terms. It may also be suggested that trust funds may be invested in debentures.

5. With a view to ascertain the indebtedness of a particular village our informal enquiries in regard to the indebtedness of each ryot and the chances of liquidating the same, show that loans extending over a period of 50 years should be given to him and then he will be in a position to liquidate and retain the property in his own hands, provided he lives a frugal and economic life.

When we talk of long-term loans, we always take it that the security, which the debtor gives, is one of immovable property. There may be cases where men may have a lot of movable property, without owning any immovable property. In such cases it would be unsafe to give long-term loans.

Mostly, debts referred to above, namely, *b*, *c*, *d* and *e* are borrowed from local sowcars.

The co-operative societies have stepped in and are meeting all these demands.

Yes. A number of farmers are turning into tenants having lost their property. This certainly takes away any incentive to produce more.

6. Hand spinning, gardening, weaving and cotton ginneries are some of the subsidiary industries which are resorted to by the agriculturists in our district in leisure hours,

* If improved systems are adopted, provided sufficient capital is forthcoming as a result of Government or other aid, certainly there will be better outturn both in quality and quantity. At present the agriculturist is suffering very much for want of funds and organization to improve these subsidiary industries.

6-A. In parts of this district where cotton is abundantly grown we would supply each household with a fly-shuttle loom and make it a subsidiary occupation. In other parts of the district where fruit-gardening is possible we would recommend the agriculturist to undertake it, for it is certainly more paying than other occupations. There are certain places where cutlery, that is, making of knives and other implements, is undertaken. We would encourage such industries on more organized and scientific lines.

In regard to the working capital and the financial machinery we would ask the legislature to pass an enactment more on the lines of the State Aid to Industries Act and make the payments either through the village panchayats or the co-operative societies.

7. The tendency of financing banks like the Madras Central Urban Bank is only to give a short-term loan. The deposits in the local banks are also for short periods. These two evils make the work of the Central Bank in the district more difficult in the matter of granting long-term loans. Perhaps it is the result of this fear that has made them fix only five years as the duration for the payment of loans through them.

At present the capital that has been invested in the co-operative movement in this district is Rs. 18 lakhs, including share capital. Taking the figures available in the economic survey of one or two villages we would roughly estimate the needs of the district at ten to twenty times Rs. 18 lakhs.

In our district there is no competition between the co-operative banks and the joint-stock banks.

Written evidence of M.R.By. P. VENKATESAM Avargal, B.A.,
Tahsildar, Atmakur.

General.

Atmakur taluk is a purely dry area, as distinguished from deltaid region, and a poor one. There are not in it many financiers, though there are one or two who are among the leading wealthy men of the district (Chittamur Venkata Reddi of Itajavolu and Vemana Akkappa Nayudu of Karatampad). These people are running banks at Nellore and merely lend out grain or capital to cultivators in the course of the year recovering the dues at the following harvests. The rates of interest collected are not appreciable taking into account the small amounts or quantities advanced.

Cultivation of dry crops and of dry areas does not require any capital or any financing. The ryots generally reserve seed grain and enough quantities to meet incidental charges and do not generally go borrowing. They however at times feel want of food grains and these are advanced by the middle classes for the mere asking of it because they expect free labour subsequently. The duration of repayment also is generally short and ranges from two to three months.

In wet regions, however, lands are held in plenty by the rich; and the poor who own one or two acres are generally adherents of the rich and are supplied their necessities by their leaders.

With the above general remarks, I propose to answer some of the questions which have application to this taluk.

1.—Agricultural credit and credit facilities for small industries.

1. (a) For expenses during cultivation the ryots in dry area need none. In wet areas the ryots holding smaller extents are generally merged among richer ones and the latter freely dispense them, their needs, of course, recovering them at the next harvest. Money and grain advanced are charged interest and *nagu*. Interest on money averages generally between 7½ and 12 per cent and *nagu* at the rate of 20 to 25 per cent. Added to the interest and *nagu*, the debtor is generally obliged to supply free labour when called on, more as a matter of courtesy than any legal binding. He also oft-times supplies manure, hay and grain at lower than the prevailing harvest rate. This system is called generally the *oppandum* (ఒప్పుడము) system.

(b) For capital and permanent improvements, the ryots generally resort to State aid and take loans under the Land Improvement Loans and Agricultural Loans Acts. Of late, ryots are freely taking loans even for purchase of cattle.

(c) For payment of land revenue, the co-operative credit societies, wherever they exist, and there are only very few of them in the taluk, are generally much helpful, and a spread of such societies is bound to be a source of much help to the agriculturist. In other areas the land revenue is paid by sale of produce or by money borrowed on the credit of the next coming produce.

The Imperial Bank of India has no customers in the taluk. The average cost of cultivation in wet areas ranges from Rs. 16 to Rs. 20 per acre.

2. For marketing, there is no system now prevalent. Dealers from Nellore generally resort to the taluk and carry away the produce, of course, at a lower rate than on the coast. If a system of pooling and co-operative sale is to be introduced, it would, of course, be in the best interest of the producer, but on account of want of proper communications, I doubt very much if that could be practicable. As an instance, I would point out that Battepad and Mahinalur, two of the paddy growing centres, are not connected by road and the producers there have always to dispose of their

produce at a discount and at times do not find a market at all. Deva-rayapalli, Ananthasagaram and other villages were similarly suffering before but a new road (Depur Somasila) has just been laid and its completion will be of much help to those villagers.

There is no foreign trade in the taluk. There are no banks or bankers in the taluk. There are of course brokers (செட்டி). They generally agree with the producer for a fixed rate and when there is an outside demand, get them the produce at a small premium.

3. (a) Dry lands in the taluk can be divided into—

- (a) Land fit for aruga and castor.
- (b) Land fit for cholam.
- (c) Land fit for garden crops with private wells.

They are generally sold at Rs. 10 to Rs. 30, Rs. 40 to Rs. 200 and Rs. 100 to Rs. 300 per acre respectively. Wet lands sell at different rates according to local conditions, sufficiency of wet land for population, demands, nature of soil and the source of supply. Lands near Kaluvaya and Ananthasagaram tanks generally go at the rates of Rs. 300 to Rs. 1,000 per acre. The same rate applies in the case of lands commanded by river channels though there are instances in which lands have been sold in Virur and neighbouring villages at more than Rs. 1,000 per acre.

Lands sold at auction whether for arrears of land revenue or in court auction do not generally fetch their real average values. Generally rich lands do not come in revenue sales and at court auctions, and the interested parties combine and purchase it for nominal values or usually increase the value by competition.

4. There are no land mortgage banks in the taluk and there are no legal impediments towards mortgaging of lands in the taluk.

If the present system of co-operative credit is enlarged and the disbursement of loans on the security of lands is authorized it will be a sufficient advantage to the landholders and the tenants.

The other questions do not admit of any answer as regards this taluk. There are no banks or bankers working in the taluk. The ryots and the cultivators are poor and generally have no savings. Consequently there is no need for any bank for this purpose. The only way in which the general condition of the taluk could be improved is by increasing the number of roads, establishing grain banks and credit societies and authorizing the latter to advance moneys on the security of lands. Till more irrigation systems are provided and the means of communication improved there can be no scope for the conditions to improve. The new railway line (Nellore to Kanigiri) and the Tungabhadra Project may perhaps improve matters.

**Written evidence of M.R.Ry. S. G. GRUBB Avargal, B.A.,
Revenue Divisional Officer, Nellore.**

I am afraid I do not know much about this subject except a few points which come to my notice in the course of my duties as a revenue officer.

1. *Finance for minor agriculturists.*—In these parts, the richer ryots of a village generally finance the poorer ryots. It is very rarely that the poorer ryots of a village go outside their village for financial help. Under each rich ryot, there will be a set of ordinary ryots who will depend on him for money. When once a ryot goes to a particular rich ryot for money then a convention is established that that poor ryot is a client of that rich ryot and no other rich ryot of the village will advance money to that poor ryot. At present therefore, in each village there are a number of rich ryots who have each got a number of poor ryots depending on them for financial help. Each rich ryot feels that he is under an obligation to finance the poorer ryots who depend on him and thus the poorer ryots get all the financial help they want.

These debts are repaid by selling the harvest to the lender. In the case of very poor agriculturists the debt is repaid by service also in the fields of the lender.

The rate of interest is generally high ranging from 12 to 24 per cent. It is very rarely that these debts are wiped off. A sort of running account is kept up in which the lender has got all the advantage. There are very few rich ryots who are of a sufficiently high moral character as to be able to resist the temptation to take advantage of the illiteracy and ignorance of the poorer ryot.

Small loans are taken on pro-notes or on account. Larger amounts are lent on the security of lands. It is very rarely that lands mortgaged to the richer ryots get out of their clutches.

The remedy for this state of affairs appears to be the starting of co-operative credit societies in each village with simplified methods of granting loans.

2. The principal crop in this district is paddy. Generally, the poorer ryots who depend on the richer ryots for financing them sell their produce to the richer ryots who store them and sell them at a time when prices are high. Merchants from Madras and other places go to the villages and purchase the grains.

Under this system also it is the poorer class of agriculturists who suffer. Co-operative credit societies which lend money on the security of produce can do much to help the poorer classes.

Hundis and bills are practically not in vogue in this district.

3. The value of a land depends solely on the nature of soil and its irrigation facilities. The best lands in this district are those in the Pennar Delta. Even here the tail-end lands do not command as much value as the lands in the upper reaches. The best lands are worth about Rs. 1,000 an acre, while the tail-end lands fetch values ranging from Rs. 200 to Rs. 500 an acre according to the irrigation facilities they command. Wet lands under non-delta tanks are not worth much—their value ranging from Rs. 100 to Rs. 200 an acre.

Garden lands (i.e., dry lands which have got good irrigation wells in them) are generally as valuable as wet lands, as two crops can be raised on them in a year.

Dry lands are valued according to the nature of the dry crop that can be raised on them. I know dry lands in Kanigiri taluk which are not worth more than Rs. 10 an acre and there are some dry lands in Nellore taluk worth about Rs. 100 an acre.

6. The agriculturists in this district do not engage in any subsidiary industries. Agriculture proper does not engage the ryots for more than six months. The remaining six months are mostly spent in idling. The poorest ryots go for coolie work, but the middle-class ryots do not. That is one reason why the agriculturists are in perpetual indebtedness. If some subsidiary industries could be established in villages first with the aid of Government, it would increase the economic wealth of the country and keep the middle-class ryots engaged during the non-agricultural season,

**Written evidence of M.R.Ry. P. SURYANARAYANA Avargal,
Secretary, Servants of India Society, Calicut.**

1.—Agricultural credit and credit facilities for small industries.

1. The agriculturist obtains finance for expenses during cultivation generally from the village money-lender in cash or kind or in both, usually on personal security but in some cases on the security of movables. Co-operative societies also to some extent advance short-term loans.

As regards finance for capital and permanent improvements, the agriculturist, if he owns a large extent of land, uses the savings from his annual income for this purpose. But an agriculturist with a small holding, who lives from hand to mouth and whose income from land leaves very little margin of profit, is hardly able to invest any money on capital and permanent improvements. The law of diminishing returns generally operates in the case of his lands. Very few agriculturists avail of the loans advanced by Government under the Land Improvements Act. For other special needs, e.g., failure of monsoon, for land revenue the agriculturist manages to secure loans from the village money-lender. When the Government advances loans for relief of distress caused by the failure of monsoon, many poor agriculturists take full advantage of such loans to the extent they are made available.

The rates of interest may in some places vary with the security offered. But generally speaking an all-round high rate of interest is charged by the village money-lenders during all seasons and irrespective of the purpose of the loan. For short-term loans on personal security 15 to 24 per cent, in some cases going as high as 36 per cent, is charged while mortgage loans carry interest ranging from 8 to 12 per cent, the rate being dependent on the nature of the security and the period in the case of such loans is generally 12 years. I do not think standing crops are usually accepted as security though the money-lender takes into account the nature of the crops grown on the lands of the borrower.

As already stated Government plays a little part in agricultural finance. The Imperial Bank of India indirectly helps to some extent by financing the co-operative banks and bankers. But it is difficult to say how much goes really to help the agriculturist except perhaps in the case of moneys lent to the co-operative banks. Co-operative banks are supposed to provide all the finance necessary for the agriculturists. But they have not done so. In fact a large portion of the funds required by agriculturists for their purposes is provided by the village money-lender who is nowadays often the well-to-do agriculturist money-lender.

It is difficult to give an estimate of the total amount of capital required for the various purposes. Even if an economic survey is conducted and care is taken to find out the purposes for which the agriculturists obtain loans, it is difficult to say even then that the figures are correct as some of the loans taken avowedly for productive purposes are usually utilized for unproductive purposes. But this much can be said that a large amount of short-term and long-term credit is necessary for agriculture and the present needs are not adequately satisfied by any of the existing credit institutions except the village money-lender.

The defects in the present system are very many and their existence cannot be attributed to any particular cause. From time immemorial the village money-lender has been the main support of the agriculturist, catering to his needs in time and without giving much trouble. The village money-lender is preferred to any other credit agency, such as, a co-operative society, because of the personal touch and appeal he makes to his customers. He accommodates the agriculturist who is ignorant and improvident in a manner which a co-operative society or any other banking agency cannot possibly do. The agriculturist merely looks to the satisfaction of his immediate needs and does not at all see through the game played by the money-lender. To save him from the clutches of the money-lender by enabling him to pay off his prior debts and provide the necessary finance for his immediate needs are the problems that have

to be solved. It has been said that no credit agency including a co-operative society can help those who are habitually improvident or those whose profession of agriculture is in such a precarious condition that they cannot make both ends meet. How best to improve the economic condition even of such people is also a problem for solution. It cannot be denied that these people manage to get loans from the village money-lender. Cannot an organized credit agency take the same risk as the village money-lender does and render help to save these people from utter degradation and helplessness to which the ways of the money-lender reduce them? The second point to be considered is how an organized credit agency especially a co-operative society can satisfy the needs of the agriculturists who can be assisted with safety and with reasonable prospects of the return of money lent. I shall deal with the second point first as its solution will help in the solution of the problem affecting the other class.

It cannot be denied that the co-operative movement has not yet been able to supply the credit necessary to satisfy all the needs of the agricultural industry. It cannot also be denied that the co-operative societies often find it difficult to get money precisely when they want it. Moreover, the formalities to be observed in securing loans necessarily cause delay. The financing central banks may also find it difficult to have ready money when the societies want it. So a system of forecasts of members' and society's requirements should be devised, making provision for almost every need of the agriculturists including ceremonial expenditure to a reasonable extent. Every effort should be made to secure as much accurate information as possible. The system is well described in Homingway's Manual on page 19 (Third Edition). If this system is made compulsory for all societies, there should be practically no need for the agriculturists to go to a 'Sowcar'. Efforts should also be made by intensive propaganda to bring in all agriculturists into the co-operative societies. I think there will be no difficulty in doing so if the agriculturists know and are satisfied that all their legitimate needs will be satisfied by the societies. The Imperial Bank of India should be required to provide necessary funds to central banks and should not be allowed to compete with the co-operative societies by advancing loans on the security of produce to agriculturists. The rate of interest on loans to central banks should be reduced. Co-operative societies should also prescribe dates of repayment to suit the convenience of members. It is often said that the members of co-operative societies are forced to go to the village money-lender to pay their dues to the society. This should not be. Co-operative societies should also be required to give produce loans and loans on standing crops. It is not difficult to do this as other banks are doing this business. Loans under the Land Improvements Act and the Agriculturists Loans Act may be given through the co-operative societies. Such a system will avoid all the defects complained of in regard to these loans putting a stop to leakages, etc. Now that the rate of interest has been reduced to 6½ per cent, the societies may be allowed to lend at 7½ per cent, the margin of 1 per cent being sufficient to meet the expenses of collection, etc. The system has worked well in Bombay Presidency. In fact a co-operative society, if it is to justify its existence and enable the agriculturist to derive all the benefits of the co-operative movement, must take the place of all credit agencies including the village money-lender.

There is no co-ordination among the various credit agencies including Government. I have already suggested how the Government loans can be given through co-operative societies. As regards the Imperial Bank of India, I have also suggested that necessary funds should be provided for the central banks to finance the co-operative societies to satisfy the needs of the agriculturists. Joint-stock banks may also be induced to provide credit facilities to co-operative banks. They will gladly do so as the security offered is more satisfactory. But it may be that the rates of interest charged by the joint-stock banks will be higher than that charged by the Imperial Bank of India and the central banks may not avail of the credit facilities offered by the joint-stock banks.

As regards agriculturists who are habitually improvident, habits of thrift should be inculcated by means of propaganda and facilities should be provided for practice of thrift. The agriculturists whose profession is in such a precarious condition that they cannot make both ends meet, no effort should be spared to improve their lot by the adoption of improved

agricultural methods, provision of irrigation facilities, etc., so that an ordinary cultivator with reasonable diligence can improve his lot. But if co-operative finance has to play its part in this venturesome task, it may be necessary to provide a guarantee fund by the Government to safeguard the depositors' money.

It is also necessary to realize the co-operative ideal in helping the poorer members of the community. It must be possible for a hardworking honest man to secure help from a society whether he has little or no tangible property. Experience of those who have a right to speak in the matters shows that poor men are good payers as well as good sureties. To insist on a well-to-do man to be a surety for a poor man is to make him fall a prey to the very evils from which the society is started to extricate him. "It shall be the poor man who shall be the chief object of the solicitude of the co-operators."

2. The present method of marketing principal crops of Malabar and of the province are almost similar. The producer is not in direct touch with either the export market or the consumers. He usually sells his produce to the village money-lender or to the local trader who gathers the produce and brings it to the markets. No doubt he takes the risks involved in the transaction. But as the producer is ignorant of the market prices, usually the money-lender or the local trader takes care to see that the price he offers is much less than the price which he can secure in the markets. He is constantly in touch with the markets and the prices ruling there. Moreover, if the producer owes money to the village money-lender, he will invariably take the produce assessing the value at his own rates. There is another system prevailing in certain parts of the country which may also be noted. The local trader or a commission agent of an exporting firm enters into contract with the producer who is required to supply his produce at a certain rate whatever may be the prevailing market rates at the time. He advances money to the producer even charging high rates of interest. As soon as the produce is ready he comes and gathers it. Often the producer suffers loss. There are rarely instances where he gains by such transactions. Often to pay back the loans he has contracted for financing agriculture he is forced to sell at any price dictated by his money-lender.

The system of pools may be all right if the producers are sufficiently educated to understand the value of combination. But then there will be the question of grading the produce as the produce of all producers may not be of the same quality. Co-operative method of marketing produce is the best. "It will educate the cultivator in the production and preparation for market of his produce, will provide sufficient quantity of produce to make the grading of produce easy and above all it will bring the producer into touch with the markets and consumers." The producer need not be in a hurry to sell his produce for the co-operative purchase and sale society will advance him loans on the security of his produce.

I have already indicated that except the village money-lender and to some extent the co-operative society, if one exists in the locality, as far as the producer is concerned there are no other credit facilities. Co-operative societies have not with few exceptions undertaken this business. But as regards the traders credit facilities do exist and short-term credit on the pledge of produce is provided by the joint-stock banks. There also the facilities are few. Most of the banks are situated at distant places from the producers' places. Produce has to be carried all the way. Many banks have no godowns of their own. The rates of interest charged are also high, being generally 12 per cent and more. Restrictions imposed by banks where the rates of interest are low, are so vexatious, the traders prefer to get loans from banks which offer loans easily though the rates of interest may be high. The amount of loan allowed depends on the nature and quality of the commodity. There can be no grievance on this account.

I have already briefly described the part played by the banks and the traders in the marketing of produce. The system is neither advantageous to the producer nor the consumer. Co-operative purchase and sale societies with wholesale societies at the headquarters of each district with branches at important centres for gathering the produce of the societies

is the ideal method. The consumer also stands to gain much by mini-

distinct advantages over marketing by individuals. Every co-operative society should get itself affiliated to a sale society situated in the area and all the members of the co-operative societies should sell their produce to the sale society through the co-operative society.

These sale societies should be enabled to build their own godowns by means of Government loans on easy terms. Then they will be able to hold their stocks against better prices. Better prices mean better return to the producers.

Products exported to foreign countries pass through merchants and the value of goods is drawn on exchange banks against shipping documents. For internal trade facilities are provided by the Imperial Bank of India through the joint-stock banks and the bankers who levy higher rates of interest. It is suggested that the opening of more branches of the Imperial Bank of India may result in providing credit facilities on easy terms to traders and producers also. Though this appears to be the ideal method, I doubt very much whether the Imperial Bank of India can ever take the place of the joint-stock banks and bankers. How best to regulate the transactions of the joint-stock banks and bankers as to prevent them from charging very high rates of interest is a matter for consideration. The Imperial Bank rate seems to have no effect at all on the rates charged by the joint-stock banks and bankers. Instead of opening more branches of the Imperial Bank which may affect the transactions of the joint-stock banks, some method of establishing a relation between the joint-stock banks and the Imperial Bank may be thought of.

Internal remittances are usually done through the post office. The joint-stock banks are not able, for various reasons, to open branches in many places to facilitate internal remittances. In the case of co-operative societies the Government have been pleased to grant the privilege of remitting money through the treasury free of charge. The same privilege may be extended to the public for remittance of money through the treasury by charging a small percentage on drafts issued. The co-operative central banks may be enabled to discount bills and hundis, arrangements being made for collection even through treasuries where there are no branches of the joint-stock banks or the Imperial Bank of India.

Hundi is also a convenient form of remittance of money from one place to another. Hundis are usually of two kinds: (1) payable at sight, (2) deferred payment. Stipulated period generally does not exceed 90 days and the rate of interest charged is usually 12 per cent. Usually the amount mentioned in the hundi includes the interest for the period. There are other species of hundis. All these partake more the characteristics of a cheque payable to order or bearer or the person in whose favour it is drawn. All these hundis are generally discounted locally. They are also held by middlemen or commission agents. The hundi can be discounted and rediscounted any number of times by means of endorsements at the back before the due date of collection, it being understood that the endorser of hundi is liable to the holder for its payment.

It is just possible, nay even probable, that reduction of duties on bills may lead to more extensive use of these for purposes of trade.

Use of railway receipts for raising money is largely in vogue. But in view of the various conditions introduced in the risk notes, the traders find it difficult to raise enough money on the railway receipts. Fear of incurring loss owing to leakage during transit for which the railway companies do not hold themselves responsible, deters often the traders from raising money on railway receipts. The railway should be prepared to make good the loss once the goods are accepted for transport.

The system of licensed warehouses from the point of view of the banker and the trader, must prove a blessing. In the case of co-operative sale societies, the societies build the warehouses and arrange for the sale of the produce of its members. But in the case of the licensed warehouses,

It is presumed they are built and managed by a third party subject to certain regulations imposed by the State, and the sale of goods or produce should be done by the trader. If on production of warehouse receipts, the trader receives at least a large part of the value of goods, as long as the warehouses are properly managed, the banker's position is secure. The only objection that may be urged is that if assistance is to be rendered by the State to bring these warehouses into existence, such help will go to benefit the middleman trader. While no effort should be spared to help the producers through the co-operative societies, I think no objection could be raised to help the traders and the bankers also, as long as they exist and play an important part in the internal trade of the country.

I think Government should render assistance either by contributing towards the cost of construction of these warehouses or guarantee a certain rate of interest for a period of years. If the warehouse system results in the increase of internal trade, the State will be more than compensated from other sources.

4. As far as the district of Malabar is concerned, I do not think land mortgage banks can be usefully started and successfully worked in view of the peculiar nature of the land tenure and the law of inheritance. Whether the proposed change in the law relating to land tenures will change matters is still a matter for consideration. Small holders or jannis there are, who are highly indebted and, it may be possible to help these.

There are about 20 land mortgage banks in the Presidency though I believe only five or six are actually working. The capital of each bank is made up of share capital, deposits and debentures. Each bank is to have a working capital of Rs. 1 lakh. The Government undertook to take up debentures to the extent of Rs. 50,000, on condition that the public took up debentures to the extent of Rs. 50,000. It is said that in spite of the fact that 7 per cent interest was offered it has not been possible to raise adequate funds locally. From experience gained it is recognized that a central bank will alone attract debentures and that Government assistance in the beginning is absolutely necessary. What form such assistance should take has been the subject of much controversy. The decision of the Madras Government to guarantee interest not exceeding 6 per cent per annum for a period of 25 years on debentures to the extent of Rs. 50 lakhs to be raised by the central bank within a period of five years is the best method of aid.

No simplification in the process of foreclosure and sale of land in the event of non-payment is necessary as any special and easy method provided may lead to a tendency on the part of land mortgage banks to become possessed of land by foreclosure. As the Royal Commission on Agriculture in paragraph 384 state this tendency should be avoided by taking "Every precaution calculated to ensure repayment by the borrower."

The capital of the mortgage bank should be derived largely from debenture bonds and these should carry guarantee of interest by Government. Long-term deposits, such as, funds of the insurance companies may also be accepted. If efficiently managed, I do not think the guarantee of interest will ever involve Government in loss. Such regulations as are necessary for the efficient management of the institution should be imposed by Government remembering the fact that the value of debentures in the market will depend on the efficiency of the management.

The lines chalked out, as a result of the consultations the Government had with non-official gentleman are sound. If debentures are raised at 6 per cent interest, I think the lending rate especially being a long-term loan should not be more than 7 per cent. The Government may also distribute the loans under the Land Improvements Act through these land mortgage banks, lending their monies at 6 per cent instead of 6½ per cent as at present.

There is no other satisfactory method for providing long-term credit except through the land mortgage bank. Where security of land is not available, but a particular community, such as weavers, have to be redeemed from prior debts, I do not see any reason why the character of the individual, his skill in trade or industry, his earning capacity and his practice of thrift should not by themselves be deemed as security for long-term loans for clearing prior debts. Of course the amount of indebtedness

should be taken into consideration. The funds may be lent through co-operative societies. Some such scheme of debt redemption should be devised to extricate the working classes also.

5. Unless a thorough economic survey of a village is carried out, it is difficult to find out the existing indebtedness. Even then I fear the figures cannot be deemed as accurate. Generally people are reluctant to give publicity to their indebtedness.

From the observations made in the census report for 1911, it is noticed that the landed property is slowly passing into the hands of non-agricultural creditors and the agriculturist is becoming a mere tenant. It is needless to say that the agriculturist loses all interest in his profession as the possession of land is certainly the main incentive to produce more. The benefits resulting from his efforts to cultivate in an efficient and better manner are enjoyed by the non-cultivating landlord.

6. There are many subsidiary industries intended to supplement agriculture. But I fear they are slowly disappearing. The fact that the profession of agriculture itself is not now so very paying and the circumstances that have driven the agriculturist to incur debt to meet his ordinary needs, have all had a depressing effect. The agriculturist believes there is no hope for him. In spite of the earnest efforts made to encourage hand-spinning, it has not made much head-way. Perhaps one of the reasons is that hand-spinning cannot be the subsidiary industry for all areas. Moreover, the return is not commensurate with the labour involved. The survey of cottage industries carried out by Government has brought out certain information relating to subsidiary industries existing in different districts and their present condition. These reports should be carefully considered and methods to revive such of them as can be usefully and profitably revived should be devised. The State should even be prepared to make experiments with the full hope of achieving tangible results.

The best organization to undertake revival of subsidiary industries is one based on co-operative principles. It will possess all the advantages that an ordinary co-operative society possesses. But the Department of Industries should give their advice freely and promptly and if necessary even lend the services of their men to start and supervise the working of these industries in the initial stages. Organization of subsidiary industries is absolutely necessary to enable the agriculturist not only to use his spare time profitably but also supplement his income from land especially where he is leading a precarious existence with no prospects of improving the yield from the land in spite of his best efforts. The organization and management of subsidiary industries is as important as the financing of agriculture.

The question of securing necessary capital to carry on such enterprises has always worried those who have undertaken to run these organizations. The central banks always hesitate to lend to these societies as they are generally organized on a limited liability basis. Moreover, the rates of interest charged by the central banks are too high and the societies will not be able to pay at least in the first few years such rates of interest. The amount of loan given will not be enough for the working capital and the purchase of implements and the period of repayment will also be too short especially if the loans are used for the purchase of materials. In fact the central banks are reluctant to finance such co-operative organizations. The best method of financing these organizations is for the State to advance loans on easy terms. Under the Land Improvements Act loans are given to agriculturists. Similarly loans may be given to co-operative organizations started to improve the economic condition of the agriculturist by means of subsidiary industries on the same terms as those on which loans are given for land improvements. If the State could give loans to fishermen societies for the purchase of boats and nets, it stands to reason that they should be too ready to do so in the case of agriculturists. From the very nature of the transactions in the central banks, I strongly feel that the central banks are least fitted to advance loans for the organization and working of subsidiary industries as such loans would naturally be long-term loans. I may go further and say that the loans given for this purpose are really meant to relieve chronic distress of the agriculturist by enabling him to increase his income and the State should have no hesitation in advancing loans. The State Aid to Industries Act

has not been and will not be of much use as the formalities to be observed are many and the security to be offered is generally high and the co-operative societies will find it difficult to satisfy all these requirements.

There is another serious difficulty which should be solved if co-operative organizations for the encouragement of subsidiary industries are to be successful. Capital required may be found, men may be induced to work and the necessary organization may be set up. But all these will be of no avail if a steady market is not found for the sale of finished products. However much may be the financial help received from Government or some other agency, unless goods are sold as they are manufactured all incentive for production will be lost and the organizations will be forced to stop work. Then only such articles as are in demand should be produced and a uniform standard of quality should be maintained. From experience in regard to hand-loom industry I am inclined to think that if the members are allowed to manufacture goods in their own cottages, however much we may attempt to standardize the quality, we shall not succeed. If these industries have to compete successfully with other goods in the market, I would strongly advocate the organization of small co-operative factories in preference to industries carried on in cottages. I shall say more about this in reply to the next question dealing with hand-loom weaving and fishery.

6-A. The answer given in reply to question 6 is applicable to hand-loom weaving. We are conducting two weavers' co-operative societies on behalf of the Devadhar Malabar Reconstruction Trust, Calicut, in a place called Tanur. The members belong to two weaver villages. In the beginning for want of facilities for the joint purchase of yarn and sale of finished goods, money loans were given to members presumably for the purpose of purchase of yarn. It is doubtful if all or some of the members used the amounts for the purchase of yarn. Repayment was slow and irregular. A stage was reached when we had to consider seriously the question of either ending or mending these societies. It was demonstrably clear that money loans had only resulted in demoralizing the members and they had resulted in increasing their indebtedness without corresponding benefit to the members. This was the case when the Trust was sparing no efforts to educate the members on the principles of co-operation by means of lectures illustrated with magic lantern slides, night schools and other means of propaganda. When all these facts were placed before the members and they were asked if they were in favour of liquidation of societies they unanimously resolved against liquidation and also granting of money loans. They requested the trust to arrange for the supply of yarn and promised to deliver the finished goods to the societies being content only to receive the wages fixed for different kinds of cloth after due consideration of all relevant circumstances. Members who owed moneys to the societies also promised to pay out of their daily wages one anna towards the principal and interest. Though most of the members offered to take advantage of the system, not being sure of the results, we had to be cautious and the panchayats agreed to help only those who had evinced keen interest in the working of these societies and whose previous conduct was not altogether reprehensible. But it must also be stated there were also a few among the members who could not take advantage of the system, however anxious they were, as they already owed some monies to the middlemen in the villages for whom they had to work and return the finished goods taking such wages as were paid to them. There was a case where people who wished to help themselves, could not be helped owing to their prior debts and the resultant evils. Having accepted the moral responsibility to help them, the Trust had to manage to secure the necessary finance for the purchase of yarn and payment of daily wages and at the same time make arrangements for the sale of finished goods. The Trust agreed to deposit Rs. 200 and Rs. 100 respectively in Kattilangadi and Puthentheruvu societies. This was not enough as most of the paid-up share capital was locked-up in overdue loans. The District Bank was reluctant to give loans to the societies even though the societies had deposited all their profits without paying even dividends in the reserve fund, and held shares in the bank. Fortunately for us and the societies, a good friend who is a yarn dealer and who is interested in the uplift work of the kind in which we are engaged, offered to supply yarn and also undertook to purchase all the finished goods. This system continued to work satisfactory for some time. But considerable difficulty was experienced.

In standardizing the quality of cloth prepared as the cloth prepared by one weaver differed from that of another. Having been accustomed to irregular and easy going methods, not having been subjected to any discipline, it was a hard task to make them realize that goods prepared should be of the quality required by the consumer and they should be of uniform quality. Moreover, the goods were not supplied on time though if they had worked regularly at least six hours per day they could complete the orders in time. In spite of our best efforts, the quality did not come up to the standard and the friend to whom we supplied goods somehow managed to dispose of goods even at loss profit. But this could not go on long. Moreover, he did not like to take any more risk. Meanwhile, owing to constant check, propaganda, etc., the cloth was slowly being brought up to a uniform standard. So when the undertaker only to supply the yarn on three months' credit but refused to undertake the sale of finished goods, we were at our wit's ends. We did not know what to do. We decided to put them on the market by advertising the goods. Owing to the kindness and courtesy of the Madras and Poona dailies, our goods were advertised free of charge. We did succeed in clearing large stocks. Friends also obliged by purchasing their requirements from us. Now we are somehow managing to clear the goods though often a large stock is always on hand. The financial condition is always precarious. Co-operative institutions in the district and elsewhere have not been helpful at all. The weavers still follow primitive methods in weaving. There is no capital to lend them to purchase improved implements for weaving. Even if the capital were available, as the quantity produced will be much larger than what is produced at present the difficulty of finding market for all the finished goods will increase. So we are perforce denying to the weaver the possibility of increasing his earnings and bettering his economic condition. This short history of the working of the weavers' societies leads me to the following conclusions:—

(1) That co-operative factory system is preferable to ensure uniform standard of quality of cloth manufactured, to enforce regularity of work and the period of daily work.

(2) The State should advance loans on easy terms for liquidating the prior debts of members.

(3) The State should also advance loans on easy terms for the purchase of improved implements for weaving.

(4) The State should organize a central store for the sale of finished goods.

(5) The central banks should be required to supply the required working capital to the extent of at least the reserve fund and the paid-up share capital of the societies.

It may be argued that the system of loans by the State is against co-operative principles and so on. Even now the societies are permitted to receive deposits and the State can as well give the amount as deposit. The Government have already seen the need to grant loans to fishermen societies for the purchase of boats and nets. A similar concession may be shown to weavers' societies especially where recognized organizations like our trust are conducting and supervising these societies. As regards the adoption of the co-operative factory system, there can be no doubt regarding its advantages. It is well known that the fish cured in the fish-curing yards maintained by the Fisheries Department, is of a better quality and the conditions under which fish is cured are more hygienic. It is in the interests of both the producer and the customer to adopt this system.

As regards the fishery industry, I think the fish-curing system adopted now is the best method. But the fish-curing yards should be slowly made over to the fish-curers' co-operative societies organized for the purpose. These societies may in the beginning be worked under the supervision of the Fisheries Department. Moneys may be advanced by Government to these societies to make necessary arrangements for the construction of cemented platforms, etc., so as to ensure curing of fish under hygienic conditions. The amount may be recouped by means of cess as the cost of construction of the fish-curing yards is now realised by means of cess. Arrangements should also be made to organize the market for cured fish so that the producers may be benefited. The system of granting loans

for the co-operative societies for the purchase of boats and nets should be extended and the terms on which the loans are granted should be made easier, by prolonging the period of repayment, by reducing the rate of interest, etc.

Similar organizations on co-operative basis may be started for other small industries and similar concessions may be shown to them. A central stores for the sale of all the finished products of the various societies should be organized at a convenient centre. It shall be the function of this stores to keep itself in touch with the requirements of the market and inform the affiliated co-operative societies the kind of goods that will find a ready sale in the market. Whether these stores should also finance the affiliated societies for their working capital or the Government loans should pass through this central organization is a moot question. It is suggested the stores may also purchase wholesale the raw materials required for manufacturing goods. This function the stores may usefully undertake. But the societies may be given the option to utilize or not the services of the central organization for the purchase of their requirements.

7. The Imperial Bank of India allows overdrafts to central banks and the provincial bank on the security of the promissory notes of the unlimited liability societies on the recommendation of the Registrar of Co-operative Societies. As regards the joint-stock banks and the indigenous banks, overdrafts are also allowed by the Imperial Bank of India on the security generally of Government securities.

The co-operative banks have largely to depend for their finance on the deposits of the public and the local bodies which are generally short-term deposits. So they cannot possibly be lent to co-operative societies for long-term purposes. There are certain purposes relating to agriculture for which loans can neither be termed as short-term or long-term. But the loans advanced are short-term loans though they are meant for long-term purposes. So the societies are not able to realize moneys in time and so large overdues are the result. Often the members are driven to seek the assistance of the village money-lender to pay off the dues to the co-operative societies when too much pressure is put on them. Now the policy of the central banks is to restrict loans to societies only for short-term purposes. This has resulted in plethora of money both in the central banks and the provincial bank. If the system of preparing normal credit statements is introduced and made compulsory and if capacity to earn and honesty of members are also taken into consideration in lending moneys, there is no doubt all the money can be absorbed for short-term purposes only. As regards long-term capital, I think the Imperial Bank of India should be prepared to advance more money to central banks on the security of promissory notes of unlimited liability societies. As things are at present the central banks have very little capital for long-term purposes. So the co-operative societies cannot lend for long-term purposes, however desirable it may be to do so. The members are therefore forced to go to the village money-lender.

It is difficult to assess correctly the extra capital required for financing the co-operative movement either in the district or in the province. But it is said that the co-operative movement supplies only about one tenth to one-eighth of the capital required.

There is no keen competition between the joint-stock banks and the co-operative banks. Even in the matter of deposits, in view of the fact that the central banks are subject to Government inspection and audit, people are anxious to deposit moneys in the central banks though the rates of interest offered are by far lower than those offered by the joint-stock banks. The spheres of their activities differ. The co-operative banks advance moneys only to societies and the co-operative societies are prohibited from having business relations with persons other than members. Even there the members cannot secure all the credit necessary for purposes of trade as not even the urban banks are permitted to negotiate bills for individual customers and discount their demand drafts. These duties are performed by the joint-stock banks. Extension of business of the central banks at least of urban banks in the lines in which the joint-stock banks are engaged will be very useful to members. A suggestion made by Mr. V. L. Mehta of Bombay in his lectures delivered at the University of Mysore on the subject of "Co-operative Finance" may be usefully quoted here for consideration,

"Co-operative societies are prohibited from having business relations with persons other than members and central banks from undertaking the financing of individuals. All types of societies are, however, permitted to receive deposits from members as well as non-members and in some provinces central banks and urban banks (non-agricultural credit societies with substantial resources) are permitted to negotiate bills for individual customers and discount their demand drafts. This is a very useful line of business, but central banks would do well to confine their attention to the issuing or discounting of demand bills for customers while urban banks may negotiate usance bills on behalf of members. As the central banks represent merely a stage on the road to federal financial organization, it is undesirable to complicate the mechanism and introduce a conflicting and competing element by permitting them to finance individuals. If, however, circumstances render such extension of business very desirable in the interest of the movement as a whole, it should be restricted to advances against deposits in the banks themselves against Government securities, or with a view to develop agricultural supply or marketing on the security of agricultural produce or requisites held in stock."

The following concessions may be granted to stimulate the growth of the co-operative movement:—

(a) Inclusion of debentures issued by the provincial banks and land mortgage banks in the list of trust securities.

(b) Exemption of all societies from profession and other taxes levied by the local bodies.

(c) Investment of insurance funds as long-term deposits in co-operative banks.

(d) Investment of trust funds in the purchase of debentures.

(e) Exemption of subscriptions to provident fund schemes conducted by the co-operative societies from income-tax.

II.—Indigenous banking.

1. The indigenous banks and bankers provide credit by discounting hundis by issuing accommodation hundis. In fact but for the indigenous bankers the timber trade of Malabar would seriously suffer. I shall quote one instance to show the part played by the indigenous banker. A trader secures contract for the supply of sleepers to the railways. But he has not enough money to offer advances to suppliers and unless he does so he will not be able to fulfil the contract. So he approaches the local banker and places all the facts before him. He secures some amount and a hundi is drawn. The banker endorses the hundi and receives payment from the Imperial Bank of India. This accommodation provided for the contractor enables him to fulfil the contract. It does not matter what rates are charged by way of interest by the banker as the volume of business he is enabled to do and the profits derived therefrom are more than what he pays as interest.

2. I have already stated it is the well-to-do agriculturist money-lender and the village trader that finance agriculture mostly. In urban areas the indigenous banks and bankers do finance trade by providing the necessary credit facilities required in the process of marketing. I do not think any assistance is rendered to industry.

3. The amount of capital invested depends on the position of the bankers. for if they possess the necessary credit, they can secure cash credits from the Imperial Bank of India. They do a large volume of business in that case. But their expenses are very little compared with what they are in an organized joint-stock bank. Their system of accounts may not be as good as in a joint-stock bank. There may not also be a uniform method of keeping accounts. There is no relation between indigenous banks and bankers on the one hand and the co-operative banks on the other. As regards the Imperial Bank of India, it is utilized for the purpose of securing cash credits and for discounting hundis. I think the joint-stock banks have very little to do with the indigenous banks and bankers, for they often compete with each other and as the credit facilities are offered more easily and as they are prepared to take more risk indigenous banks and bankers do more business. The joint-stock banks are often forced to do business only in gold loans and to some extent produce loans.

4. This question has to some extent been answered already,

5. The terms on which loans are offered are not favourable at all to the borrowers. The rates of interest charged are very high ranging from 18 to 48 per cent. In many cases and in the case of small loans the interest for the period for which loan is taken is deducted from the principal before the loan is given. It is said often the interest paid before the expiry of the period of loan is much more than the amount of loan itself. But the security demanded is not so very rigorous as in the case of joint-stock banks. The indigenous banker takes the risk which no other credit organization can take. Rarely he receives deposits nor are people anxious to keep deposits with such bankers as they know that their business is a risky one. If he fails or gains, it is his business or the business of a few individuals who have joined in the business. These bankers usually invest their own money in money-lending business and also sometimes obtain cash credits from the Imperial Bank of India or some joint-stock bank on the basis of their credit-worthiness. Some bankers run *kuris* or *chit funds*. The necessary capital for their business is secured in this way by continuously running *kuris* one after another.

I have already indicated the part played by the village money-lender in financing the agricultural community. The only way to oust him from the field is by organizing co-operative societies and financing in time the agriculturist for all his legitimate needs. If this is done the rate of interest at which the village money-lender lends money will also be reduced. This is the only way. Till that is done the village money-lender is necessary for the community as he plays an important part, whatever may be the conditions under which he does so. There is no doubt the reduction in the rates of interest would improve the economic condition of the agriculturist.

7. There is always prejudice against the indigenous bankers. But owing to the feeling of helplessness, their presence is not only tolerated but even welcomed. In their absence there is no agency to provide the necessary credit facilities.

Whether the law protects them or not, they protect themselves by being careful in their dealings and always safeguarding their interests by all possible means. I do not think any protection or facility should be extended to them.

From a business point of view, I have no doubt the indigenous bankers conduct their business on sound lines. They take every precaution to see that their monies are not lost. They borrow if necessary from others at a low rate and lend at very high rates. It may be the dealings of all money-lenders may not be fair especially where the ignorant and illiterate borrower is concerned.

The following suggestions are made to remove the defects—

- (1) Registration of money-lenders.
- (2) Insistence on keeping accounts in a prescribed form.
- (3) Fixing the maximum rate of interest charged, the rate being two or three per cent more than the Imperial Bank rate and the extensive use of the Usurious Loans Act.
- (4) Encourage the money-lenders to form themselves into companies by making that a condition precedent to any accommodation from the Imperial Bank of India.
- (5) Fixing the maximum rates of interest for deposits with reference to the rate of the Imperial Bank of India.
- (6) Accounts of money-lenders being made subject to scrutiny by Government Officers at any time.
- (7) Insistence on filing a statement of audited accounts annually with the Registrar of Joint-stock Companies.

8. If by the suggestions contained in reply to the last question are adopted, not only will they improve and consolidate the position of indigenous banking system but also remove the odium sometimes unreasonably attached to the business of money-lending. I have already suggested that facilities by way of cash credits may be given to indigenous bankers on satisfying the conditions suggested in reply to the previous question. In

course of time they may all approximate to the joint-stock banks coming under the operation of the Indian Companies Act. It may be the indigenous banking community may oppose the introduction of any measures regulating their operations. But the State should do so in the interests of the depositor, the borrower and lender. In view of the advantages accruing to them, I am sure they will all reconcile themselves to such regulations. As long as transactions are above board no one need fear publicity. I believe publicity will also have a beneficial effect on the unscrupulous money-lenders.

9. If facts are what we generally hear, only in rare instances the indigenous banker suffers losses. In such cases it will be generally due to his carelessness. Usually he will easily make not less than 12 to 15 per cent after making all the allowances mentioned in the question.

10. Usually borrowers go to indigenous bankers when they cannot get accommodation elsewhere. The ease with which loan can be secured and the facilities offered for repayment are attractions for improvident persons who generally apply the loans for unproductive purposes. In view of the high rates of interest charged the security offered need not necessarily be so good as for example the joint-stock banks insist upon. Once a borrower gets involved in any transaction with an indigenous banker he goes on borrowing paying high rates of interest.

11. The only way to bring the indigenous bankers into an organized banking system is to lay down the restrictions already suggested. The indigenous bankers may be represented on the local directorate of a branch of the central reserve bank by their representative. They may serve the purposes of dubashes usually employed by recognized firms. The business done by these bankers cannot be done by the central reserve bank. It shall remain the financing agency, the indigenous bankers, joint-stock banks and co-operative banks doing the credit business. The central bank may wholly concern itself with financing of organized industries. A clear line of demarcation of the functions on the lines suggested or some other lines may be laid down.

12. The surpluses that may remain with the indigenous bankers cannot be much as there are people always in need of credit, of one kind or another. If the maximum rates of interest are fixed, I think all the monies at their disposal will be absorbed. If money still remains in their hands they may be induced to deposit the same in the central reserve bank. As the difference between the lending rate and the rate of interest on deposits will not be much, they will gladly do so. But they should be enabled to draw their moneys at short notice if the market conditions demand such a course.

III.—Investment habit and attraction of capital.

1. So far as the professional classes are concerned who understand the value of investment, there are sufficient facilities for investing their savings. The various co-operative and joint-stock banks do secure large amount through deposits. The investors belong to the middle classes and are chiefly salary earners. But the rural population, I mean those among them who can afford to have savings, either invest in the purchase of lands or in jewels. It is sad to note that persons who ought to know what investment means, often put their savings in unremunerative purchases but, at the same time borrow at higher rates of interest for business. There is a great deal of sentiment in favour of investment in lands and houses though the return is much less than what investment in banks would fetch them. They consider such investment as safer than in any other form. But if the banking system reorganized and the State starts a central reserve bank with branches all over the country I think the investments are sure to rise. A great deal of propaganda may be necessary. One of the methods of increasing the investments habit that is generally popular in this part of the country is the kuri system.

Some method by which the rural population also may realize the advantages of the investment habit should be devised. Except in the form of share capital, the co-operative societies have not attracted at all any savings. They have, on the other hand, increased their borrowings and mostly for unproductive purposes.

A National Savings Movement similar to that inaugurated in England may be thought of and it may be started by the Government, through the post offices and co-operative societies. The procedure adopted should be simple and understandable. Every encouragement should also be afforded to organizations that may be started for pushing this movement by means of propaganda.

2. The Postal Cash Certificates are not very popular. One method of popularising them is to issue them even for smaller amounts and the payment of interest at a slightly higher rate.

The savings banks no doubt afford facilities to the public. But the rate of interest paid should be raised. Also withdrawals should be permitted more than once a week at least up to a certain amount. Poor people who invest their small savings if they are not permitted to withdraw more than once a week are often put to much inconvenience. Generally only well-to-do classes resort to investment in savings banks.

Of course all banking institutions can be deemed to be competing with one another. But that need not prevent Government from attracting investment of savings of poor people. Moreover, people have greater faith in institutions run by the Government.

3. The rural population have no idea of Government securities at all. It is a form of investment that does not appeal to them as the realization of monies whenever they want cash by the sale of securities is a matter which only those who are in touch with the share market can understand. During the War, when War bonds had to be sold, a great deal of propaganda had to be done by Government officials for inducing the public to purchase them. I think it will be some time before any special facilities that may be afforded to the small agriculturists will be availed of. Spread of education may lead to such a result.

Monies received by the sale of produce, if anything remains at all after paying the loans incurred for agricultural purposes, will be retained in their hands as the possession of cash is considered a sign of prosperity. If at all they invest, they will do so in lending monies to their needy neighbours and fellow agriculturists with a view to realize them whenever they want cash. Some invest in the purchase of lands and jewels. The terms on which monies are lent depend upon the relationship that subsists between the borrower and the lender. The borrower does not grudge to pay even higher rate of interest.

4. The abolition of stamp duty on cheques has resulted in the increased use of cheques for even small payments in urban areas. But it is doubtful yet to say whether it has definitely increased the investment habit, for there is still a feeling lurking in the minds of many that only the rich and well-to-do can afford to have accounts in banks. This is a wrong notion. Moreover, in some banks people have to wait for a long time to get cheques cashed. Possession of cheques till they are cashed is not yet considered as equal to possession of cash. The urban population and there too only traders and professional classes use cheques. I doubt very much if the cheque habit has grown even among employees receiving decent salaries. The system of issuing cheques in lieu of cash payment for employees receiving Rs. 100 and above may be tried. As always purchases have to be made in cash I doubt very much if such a system will be popular. The use of vernacular scripts is sure to popularise cheques and endorsement in vernaculars should be accepted.

5. Banking and investment habit as understood in text books on banking may be of slow growth in India. But the hoarding habit except perhaps in regard to jewels, is slowly disappearing. Investment for savings is found in the purchase of lands and houses and in lending to their neighbours. What is required is to promote investment habit by the exercise of thrift among those with small incomes and the working classes. Not only intensive propaganda should be carried on amongst them but also such facilities as are necessary for the exercise of thrift and promotion of investment habit should be devised. I have already made suggestions to provide these facilities. Any scheme that may be adopted should also provide for the withdrawal of their investments in times of need.

The result of opening new branches of the Imperial Bank of India seems to have affected adversely the joint-stock banks. It would have been far better if branches had been opened in places where the branches of the joint-stock banks do not exist. Now the joint-stock banks feel the Imperial Bank of India is out to destroy them by competing with them in their business. The indigenous banks and bankers do not entertain such feelings as the business they do is helped by the Imperial Bank of India. Suggestions have already been made (1) to fix the borrowing and lending rates of the joint-stock banks and indigenous banks and bankers, (2) to treat them as dubashes or shroffs through whom the trade of the country can be financed by allowing them cash credit to the extent of at least half the amount covered by the bills discounted and cash credits allowed to traders and (3) to induce the indigenous bankers to form into corporations by offering such facilities as are granted to joint-stock banks. If they are given effect to, the Imperial Bank of India would have done its duty. If necessary, the officers of the Imperial Bank of India shall have access to look into the accounts and books of these joint-stock banks. Periodical meetings of the representatives of the joint-stock banks and the Imperial Bank of India may be held when matters relating to banking may be discussed and the line of policy to be followed may be agreed upon.

Written evidence of M.R.Ry. C. S. GANAPATHI RAO PILLAI
Avargal, B.A., B.L., Chattram Superintendent under the
Tanjore District Board.

I.—Agricultural credit and credit facilities for small industries.

1. Seventy-five per cent of the agriculturists borrow for the cultivation expenses from the money-lenders, professional or otherwise, of the nearest town or from the neighbouring bigger land-holders or mirasidars. A small mirasidar is incapable of any investment in permanent improvements except what his labour could contribute. During failure of monsoons, a small ryot, i.e., the peasant proprietor borrows money from the persons mentioned supra. The rates of interest generally vary from 3½ kalams to 5 kalams or in cash from As. 14 to Rs. 2. Money advanced for the cultivation expenses is charged only on the produce. The contract is either oral or by an unregistered muchalika. Except the persons mentioned supra the part played by the banks of various denominations, so far as the 75 per cent of the total agriculturists are concerned, is nil. The scope for improvements lies in amending the Act in such a way as to enable the ryot to secure the money at the quickest possible time with a priority of charge over the land for the money advanced for the purpose of improvement or cultivation expenses. The whole thing should be managed by the Agricultural Department and not by the Revenue Department who will have a tendency to adjust the loan towards the arrears of kist in their anxiety to show nil balance in their firkas. The ryotwari tract should be conveniently divided into 'bank area,' with land mortgage banks at the principal stations within arms' reach of the ryots. The bank should be supplied with correct record of rights to enable it to advance loans.

2. The only way in which the Government could assist is to open warehouses in important principal stations with a view to control the prices during the time of combination amongst the merchants to swell the prices. The Government could purchase articles during the kistbandi season when such articles could be obtained at cheaper price. By Government I mean the non-credit co-operative society in which Government has a direct interest. The scheme is feasible if only a thoroughly honest set of staff is guaranteed. The system of business, as it is, is very simple and the present provisions of the Negotiable Instruments Act will meet the present needs. The success of the scheme depends upon the personal credit of the individual which is beyond any legislative enactment.

3. In Tanjore district the value of wet lands ranges from Rs. 300 to Rs. 1,000 and that of dry lands from Rs. 100 to Rs. 250 per acre. The above is the value of lands purchased by private negotiation. The value of the lands in the event of purchasing by court decrees is only half the real value as the popular sentiment is averse to purchasing property of others in financially distressed conditions. The value of land in Government auction for non-payment of revenue is practically nothing as the village convention requires non-intervention. If any person purchases them inadvertently he surrenders the lands to the owners on payment of the sale amounts. This means delaying the kist payment to the Government which is not allowed under the Act.

4. The land mortgage banks should be established for every agricultural centre with provision for quick decision and action and they should be provided with funds unlike as at present. The capital for the banks may be by deposits of various descriptions, funds from central institutions and debenture bonds. They should carry the Government guarantee to the fullest extent. If the Government fights shy the scheme will not advance on the right lines. The heads of the banks will be empowered to award decrees in the cases of mortgages and execute them without the intervention of courts.

5. The extent of debt which an average ryot contracts ranges from 83 to 50 per cent of the value of the land, and the said amount represents the amount borrowed for meeting the expenses of the family and also for the agricultural improvements and cultivation expenses. The amount is due generally to the professional and non-professional money-lenders,

6. Weaving, poultry rearing and cattle farming, if the Government reserve sufficient grazing ground and any other industry which the local produce facilitate. But it is a mistaken idea to think that the farmer, if he really attends to husbandry, will be left any time for other earning avocations.

II.—Indigenous banking.

6. Vide reply to question 1 above.

7. No.

Yes.

No.

5. Such cases are not many in evidence.

Yes.

8 & 9. No.

10. They are able to meet.

11. No; all the money will be concentrated in the hands of a few.

12. No.

III.—Investment habit and attraction of capital.

2. Yes.

Yes; to some extent.

Middle class of people.

Nothing.

3. There is a very small margin of profit left with the ryots. Those that are able to save invest in lands and those that are not able to save borrow and ultimately sell the lands.

5. Yes; the slow growth is due to want of capital. The people are ready to invest in productive undertakings, if the safety and security of the stability is assured.

The result, if any, is imperceptible to the majority of the population.

**Written evidence of M.R. Ry. W. V. B. RAMALINGAM PANTULU
Garu, President, the Ganjam District Co-operative Banking
Union, Limited, Berhampur.**

I.—Agricultural credit and credit facilities for small industries.

1. (a) From local money-lenders and from their savings of last year's produce and where there are co-operative societies partly from those societies.

(b) Generally from individuals' own savings and very rarely from co-operative societies but in many cases the landlord effects the permanent improvements from his own funds.

(c) From village sowcars.

When small loans for short periods are taken the rate of interest varies from 18½ per cent to 37½ per cent; in case of large amounts on mortgage of lands 12 per cent to 18 per cent.

Imperial Bank does not lend for agricultural purposes.

Local money-lenders only finance the agriculturists.

Dealings of the co-operative banks also are increasing in respect of agricultural finance.

At present there are about 600 rural societies financing the agriculturists. The amount that is invested in lending to these societies is nearly 15 lakhs.

Taking there are 20,000 villages in a district, the amount that may be required for agricultural purpose alone may be one crore of rupees.

Better control over the members' assets by the societies and proper education of the men will remove the defects to some extent.

There is no co-ordination.

2. At present the only commercial commodity exported to the southern part of the district is groundnut. It is handled at present by foreign firms and financed by the Imperial Bank through its own customers, they in turn lend money to the village men, pool the produce at a railway centre and hand the seed to the foreign firms. If the co-operative department is to get in it can finance the producer through the local co-operative society and thus it can avoid the village middle men.

It is under contemplation to experiment this through co-operation in the ensuing groundnut season.

3. There are three classes of lands, the dry, rainfed and the wet. The prices vary with the locality and the availability of cultivating tenants. The value of dry lands in Government tracts is between Rs. 150 and Rs. 300, the rainfed lands from Rs. 300 to Rs. 500 and the wet land from Rs. 500 to Rs. 1,500. Under first-class irrigation it is not less than Rs. 850.

In court sales the prices are generally low and in Government auctions for arrears of revenue which are very rare in a district the price is nominal because very poor land only is brought to such auction as it does not fetch reasonable income. The price of land by private negotiation is always high.

4. There are no land mortgage banks in this district.

5. The total indebtedness of a village may be taken as Rs. 15,000 to Rs. 20,000. An accurate estimate can be arrived at by making enquiries of each individual of the village by employing a special staff for each firka which comprises a number of villages. The villagers raise debts on the security of jewels, house, landed properties and on produce but not on agricultural implements and on cattle as far as I know.

The debt is generally contracted for payment of earlier debts, marriages and payment of land revenue.

The debt is largely due to indigenous bankers and to co-operative societies where there are. The rate of interest charged by indigenous bankers varies from 3 pies to 6 pies in the rupee; this depends on the amount and period for which it is raised. In most cases the landed property passes on to the hands of creditors.

6. (a) Fishery may be a thriving investment in the Chilka and at Sonnapur. The oyster fishing at Sonnapur, a dainty to the European table, may be tried, provided there is a fast conveyance to catch the parcel express to Calcutta at Berhampur.

Hand-loom industry is dying out. Metal work is indigenous and the workers are indebted to the full. They are in the sole grip of a few money-lenders. Even supposing they are redeemed, we have to retain a constant grip over them. Till then there is no prospect of self-organization. There is brass industry at Lakshminarasupeta, Buditi and in brass pots at Munishipeta and Sitarampur.

For each centre there must be a paid agent of the co-operative institution to watch and gather the finished articles before fresh amounts are advanced.

As industry stands at present the establishment charges would not be realized. There must be an organized effort from among the workers.

7. The Imperial Bank gives an overdraft to the central bank and is also a banker to the said bank. Beyond this, there is no other active help.

There are no joint-stock banks in the district.

The local co-operative unions that are at present the recommending bodies to the grant of the societies to the primary societies must be better managed and given scope to gauge the requirements.

To disburse money as early as possible there has to be a local branch of the central bank readily accessible and there shall have to be a regular village to village propaganda about the differentiation of the loans and the desirability of such differentiation.

There is no competition between the co-operative bank and the joint-stock bank, because the latter does not exist.

A crore of rupees is required for the Ganjam district for the relief of the poor ryots from pressing debts.

The Government sub-treasuries are not at present readily and constantly resorted to because there are very many avoidable obstacles. The Sub-Treasury Officers do not issue advice lists along with cheques. Cheques are not immediately honoured as soon as they are tendered and some sub-treasuries are not empowered to transact co-operative cash orders.

II.—Indigenous banking.

1. The indigenous banker lends money for one and all of the requirements of a person that approaches him, provided the latter has assets to stand surety to the borrowings. The banker does not question the utility but cares for the safety of the loan for all agricultural purposes he lends from start to finish and takes back his money at the earliest opportunity without any considerations for the futurity of his client.

2. Most of the finance comes from the local sowcar. In this district in several cases the local money-lender happens to be a big landholder himself. Hence he could catch hold of his client at the right time to recover his money either in cash or in kind. A co-operative society which is a corporate body does not exhibit such a close watch as the person of the lender does. Again the elaborate procedure and the time involved in getting a loan from a co-operative society are absent when a needy man approaches a money-lender. A signature in a book or attendance in a Sub-Registrar's office finishes his job. He need not wait

Men have not yet realized the principles of co-operation,

3 to 7. At present there is no hundi system adopted by the money-lender of the district. What cannot be cured must be endured—that is the mentality the borrowers have towards their sowcars.

8 to 12. Ganjam district is probably a poor district. There are a few rich people that keep their capital invested. The few money-lenders have middle-class dealings. Refusal to accommodate a borrower will be not for want of money. The borrower's own credit and his previous dealings with financiers are the deciding factors to an individual's getting a loan. If there is a branch of the central reserve bank there will be the Government guarantee and thus there will be an assurance for the borrower and the lender.

III.—Investment habit and attraction of capital.

1. Already dealt with.

2. Postal cash certificates are not popular with the masses.

People that resort to savings banks are very few. The maximum limit is too inadequate. There are very few post offices in the district. The few rupees which one saves, he or she lends them to the neighbour on gold pledge or keeps them with a kinsman for a reasonable interest. Practically therefore the Government postal savings bank is no competition.

3. The district is too poor to say that there is a surplus with the majority of people. In their effort to lead a better life they are sinking their amount in the present-day luxuries. As has already been said, the well-to-do agriculturists lend money and paddy to their less favoured brethren and recover the money or paddy in the next harvest. But in this district it is not universal. Grain banks require trial but experiments have first to be made. The present dullness of the paddy market is not favourable for a free exchange and those that hold stocks are still expecting a better market.

4. Very few use cheques. They are those that have a current account with the Imperial Bank of India.

5. It is a fact that the investment habit is of very slow growth but people understand investments in land that fetch not more than 6 per cent at the best. The reason for a fluid investment is the uncertainty of the return on account of the failure of the Arbuthnots and the Nulams.

The present banks must create confidence and show that they have a sound backing up.

Written evidence of Mr. V. S. ANANTHANARAYANA, West Pallasana, Pallasana Post, Palghat.

I.—Agricultural credit and credit facilities for small industries.

1. Cultivation is the main occupation of the people of my taluk. The agriculturists are generally poor and to successfully work their lands they require money—

- (a) for expenses during cultivation;
- (b) for capital and permanent improvements; and
- (c) for other special needs.

A cultivator who has not the necessary funds to carry on cultivation borrows the requisite funds from his landlord or from the local money-lender. Borrowing in kind or kinds is also prevalent. Where the funds borrowed is in kinds interest at 20 per cent to 30 per cent per annum is generally charged. These debts are repayable soon after the harvest and failure to do so on the part of the cultivator would mean a costly law suit against him. If the necessary fund is in coined money a charge of 18 per cent to 24 per cent is generally claimed. Simple promissory notes invariably cover such loans; pledging of household utensils and movables are not uncommon.

Capital and permanent improvements in the holdings of an agriculturist are either done by the landlords or by the cultivator. Capital improvements are generally beyond the small purse of a tenant cultivator; but where there is incentive in an agriculturist to do so, he has in raising the fund to mortgage his small piece of dwelling land. Loans raised on solvent security under a mortgage deed carry only 8 per cent to 12 per cent interest. Interest is payable yearly and failure to carry out the terms of the mortgage deed would mean an expensive law suit, the result of which would be the incapacity on the part of the tenant to satisfy the decree-holder and ultimately his piece of dwelling land would be auctioned under the court decree and himself reduced to poverty. It is not uncommon to see many active, able and erstwhile agriculturists reduced to pauperism owing to the aggression and high rate of interest claimed by the money-lenders in my place. The only way which suggests to me to remedy such ruin is to secure for the agriculturists free money on short as well as long terms wherever necessary at a lower rate of interest. The Government with the help of bankers and moneyed people should start an agricultural credit bank with sufficient capital to meet the needs of the ryots. The interests of the capitalists could well be safeguarded by making the cultivator, who has taken a loan, pay back each year from out of the produce on his lands in addition to the interest on the loan advanced to him a certain percentage towards the debt and to have a first charge on the lands, like the land revenue.

2. The principal crops are rice and allied grains. The producer of the crops could not, due to his indebtedness, keep the crops with him until such time as the prices go high. He has to immediately sell the products. A middleman comes in and knocks off the crops at a price which would give for his money interest at about 30 per cent per annum. Had not the agriculturist any debt, he could wait for the price to go high and the profits could be enjoyed by him alone by marketing the commodity himself. To remedy this disadvantage, I would suggest the organization of trading co-operative societies. These societies are to take into their folds crops delivered to them by the ryots, advance to them a portion of their cost, put them in the best market and obtain for them the best price. Then they are to pay back to the person who deposited the crops the entire money realized on them less a percentage which would cover an interest, say, 4 per cent per annum and a nominal fee for acting as the middleman. For aught I know no such society exists in my taluk. One single such society is not sufficient to a taluk, but there should exist a number of them.

The middleman who takes off the crops will have either sufficient funds with him or will be a good customer of a bank which allows him overdrafts. The system of accommodating by the banks is really pernicious to the ryots, as the middleman gets fat with the labour of the ryots. In the interests of the poor ryots such societies should be organized.

3. Lands in my taluk may be classified for purposes of valuation into wet and dry. Wet lands are costly and the proximity of sufficient water for irrigation should a monsoon fail, to a wet land, would make it all the more costly. Dry lands on which gingelly, groundnut, cotton and allied crops are raised are the least costly. The price per acre of land in my taluk ranges from Rs. 150 to Rs. 2,500.

Where lands are sold in Government auction for non-payment of revenue there is no competition, but should competition arise due to the fertility of the land under auction its price generally goes high; where land is sold under a court decree, the decree-holder invariably knocks it off at a low price; and by private negotiations it is possible to get a fairly good value for a land.

4. Marumakkattayam law of inheritance governs a major portion of the agriculturists in my taluk. Under this law, the headman of a family, the karanavan, would be in charge of the property. He is only a trustee to the property, he cannot pledge, mortgage or sell even a portion of what has been entrusted to him for care without the permission of the members of his family. Where occasion arises to mortgage a portion of the property, even for the purpose of improving the condition of the family estate, he has to take the consent of all the members of his family. Barring this there is no impediment to the mortgage of lands and agricultural holdings. Where the Hindu law of inheritance prevails, the headman, the father, can mortgage or sell or do anything he likes with the property as he thinks. There is no impediment at all here.

A mortgage bank with sufficient capital to meet the demands of the ryots in all possible ways would certainly be a great boon to the poor agriculturists, would not only free them from the clutches of the money-lenders but also would save them from ultimate ruin. The Registration Department should be made to meet at least half way in reducing costs of reference to the record of rights and of registration of records. That system which prevails in Bombay in recording these rights and title of ownership could be copied with advantage. Against possible loss on the part of the capitalists incurred on account of defaulters it should be legalized that the property under a mortgage could be disposed of in exactly the same manner as in the default of paying land revenue.

5. The real indebtedness of my place is not known. Really statistics, exhaustive statistics, ought to be taken in fixing the capital of the new mortgage bank. This could best be done along with the census in 1931. By taking this matter along with the census work, a good lot of expenditure could be saved which would otherwise have to be spent in collecting the materials and the record taken along with the census would be thorough and exhaustive.

Most of the debts would have been incurred to meet any of the debts coming under the nine sub-headings stated in the questionnaire. I know of many cases where through a process of enforcement of an old debt or debts property passed on into the hands of creditors and, as a result of this, actual cultivators of lands lost the incentive to produce more and in an efficient and better manner.

6. There are many subsidiary industries allied to agriculture such as weaving, rice milling, dairy farming, which all can be carried out while the agriculturists are free from their work. In the coastal areas which are best suited for growing the coconut palm, coir manufacture as a subsidiary industry is carried on. As in paddy cultivation and in its marketing, a system of co-operative trading societies should also be organized. These co-operative societies should supply the requisite raw materials and take back from the producer the finished article to the advantage of the producer. There really is wide scope for such an organization here.

II.—Indigenous banking.

Most of the banks work under mutual prejudice and as there is not sufficient knowledge of up-to-date banking and its principles in them; they are not at all flourishing in the right way, and the banks are not made use of by the industries. The rates of interest in the indigenous banks vary from 10 to 24 per cent and sometimes even more. A good lot of money is not profitably made use of in these banks and by the jennmis. Surely the interest charged by these banks is very high. The wealth of a country is never stationary and has a tendency to flow for some time into one groove and at some other time into another. The indigenous banks are given immense overdrafts by the Imperial Bank of India. As the ryots are financed by these banks they never run short of money because of the overdrafts. The help which these banks get from the Imperial Bank makes them to do business freely and as there is always a great demand from the ryots, usury of a high order prevails in the land. If the overdraft system is withdrawn, this sort of conditions will come down. This usury hastens the ruin of many poor ryots. A flat rate of interest has to be legalised against the usury and there should exist a central iron bank which would meet the demands of a vast country like India. I mean the organisation of a Central Reserve Bank. There is sufficient capital in this land. A good lot of Government money is lying idle with the Imperial Bank without production. The jennmis keep wealth in hoards without any productive power. There are a number of banks with a heavy capital. If all the above resources are pooled there will be sufficient funds for the reserve bank. In case of need the existing banks should be compelled to take substantive shares; should a bank refuse to take shares, Government help should be denied to it. If all these are done, the proposed reserve bank would never lack for capital. There should be a general headquarter for this bank with Presidency headquarters in the Presidency towns, and with branches in all the districts. Through the medium of co-operative societies and the existing indigenous banks, the reserve bank should be made accessible to the ryots living far into the interior. Such an organization will surely have the desired effect.

III.—Investment habit and attraction of capital.

1. A habit to invest in shares and stocks, as in the West has not yet come to stay. All the savings are collected by pieces and are invested on lands. Investment under jewels for the sake of investment alone is not a habit but is only done just to satisfy the enchantment it creates in the minds of the Indians.

A most common form of savings in these parts is by way of kuris (chits). Nidhis are uncommon and so kuris thrive. There are a good number of them distributed amongst the masses. They are private. The members to a chit meet periodically, when if the chit is an auction one, bidding takes place and if otherwise, lots are drawn. It is unfortunate that owing to the default of a member or two to a chit in paying one or two instalments a certain percentage of these kuris have to be wound up even in their infancy. The chit-holder as well as the bidder suffers as a result of this. Something has to be done to safeguard the interest of the two parties to a chit by legislation to this effect if found necessary. I think there exists a necessity and it has to be brought into force and security afforded to the parties to a chit.

2. Postal cash certificates are not popular with the masses, but to an extent it is popular with the educated and the middle classes. A little propaganda to invest in this and a better offer, that is, Rs. 10 for 7-8-0, would, I think, make it stay throughout the country. Cash certificates and treasury bills as a source of saving have to spread and propaganda work in this direction is necessary.

Savings bank, as the cash certificates, is popular only with the educated and middle classes. If the masses too should participate in it an attractive interest on this has to be offered and I suggest 6 per cent. Indigenous banks also do savings bank account. The interest they offer is not bad and that is a little above that in the post office.

4. Cheques and other negotiable instruments are known only to the educated few. If in a country side, you offer for money a cheque to a man, he will refuse to accept it, however solvent the man who issues the cheque may be. The abolition of stamp duty on cheques and the spread of more banks would make cheque habit to grow more. Cheques in vernaculars are already in existence and if vernacularisation is carried out intensively, better use of banks and cheques could be expected.

5. The slowness of the people in investment habits is due I think to their hereditary habits. To the Indians, a deviation from that which already exists would mean something new and about which they will ponder for days together. Another thing which makes their mind oscillate and not come to the more settled point of investing as in the West is that most of the investments are far off, and persons investing cannot see by the naked eye on what they have invested. A good deal of propaganda work is necessary before people should rise to invest in productive undertakings.

A few branches of the Imperial Bank of India have been opened recently with a view to be of use to the public. I do not think the result is satisfactory. To what extent the ryots have made use of this bank, I cannot say offhand, but I believe the native banks and the money-lenders who can run a fairly good account and be good customers of the bank are accommodated, whereby it is possible for them to carry on their usurious practice much to the detriment of the ryots.

**Written evidence of M.R.By. K. SUNDARA RAJAN Avargal,
Secretary of District Corporative Federation, Pottapuram,
Omalur taluk, Salem district.**

1.—Agricultural credit and credit facilities for small industries.

1. The agriculturist in the whole Presidency and particularly in my district obtains finance for all expenses, i.e., for cultivation, for improvements and for cost of living, from local money-lenders. The Imperial Bank of India and the joint stock banks are not accessible to the agriculturists. Co-operative banks and the indigenous banks serve only a fringe of the population, i.e., 5 to 10 per cent. So only the local money-lenders get into touch with the agriculturists and finance them. The rates of interest they charge vary from 12 to 24 per cent. Short term loans required for cultivation expenses, for paying land revenue and for purchasing food stuffs, are given on pro-note with or without sureties. Long term loans extending over five years are given on the security of lands. At times local merchants and owners of mandis lend money on the security of standing crops for which they take only pro-notes from the agriculturists. Instead of charging interest, they contract with the agriculturist to purchase the produce at less than the market rate, prevailing at harvest time by 8 annas to one rupee per kandagam. Very few people take Government agricultural loans. This is due to ignorance on the part of the agriculturists and also due to the trouble they have to take in getting the loans and also in repaying them in instalments at fixed periods when they are not able to repay. This can be avoided if the Government instruct the subordinate officers to be less rigid in collection and to extend the time for repayment in real cases of hardship. The delay in disbursement after elaborate enquiry should also be avoided and steps should be taken to disburse the loans as early as possible. These loans may be disbursed through the agency of the village co-operative societies, as is done in the Bombay Presidency. A certain amount may be annually lent to village co-operative societies at 6 per cent who in turn will lend to individual applicants at 6½ per cent and be responsible for the collection of the amounts as they fall due. The total amount of money that may be required under these heads may be roughly estimated at 10 lakhs of rupees for this district.

There is absolutely no co-ordination between the various credit agencies including Government. All the trouble, the duplication of work, worry and loss may be avoided by starting a co-operative society in each village and also in every hamlet of it and by admitting all the agriculturists who have attained majority and are of sound mind as members thereof. These societies should be able to replace the money-lenders and merchants who actually drain the wealth of the agriculturists. As regards how these co-operative societies should be financed, I shall deal along with the question on land mortgage banks. But here it will be sufficient if I state that the Government and the Imperial Bank of India should co-ordinate with the co-operative societies. But the two things that should be borne in mind are that the agriculturist should get loans as quickly and cheaply as possible and the methods of collection should not be rigid.

2. The most important concern for the agriculturist is the price that he gets for the produce of his lands. The produce passes through ten hands before it finally reaches the consumer. It passes in the following order: (1) the local merchant, (2) the town merchant, (3) the mandi-keeper and (4) the big merchants in cities who in turn dispose of it to big firms such as Ralli Brothers who ship them off to the foreign merchants. As the produce passes through each hand the price is raised, so that by the time it reaches the consumer the price is nearly 50 per cent higher, if not double, than that obtained by the agriculturist. Thus the price of groundnut sold by the agriculturist at Rs. 10 per kandagam comes to Rs. 15 or more when it reaches the consumer or the man who needs it. In many cases the prices become almost double.

The result of any scheme that is adopted to eliminate the middlemen and to bring about direct dealing between the producer and the consumer will be the enrichment and consequent prosperity of the producer, the agriculturist, who in many cases does not reap the full reward of his labour. The elimination of middlemen may be brought about by opening a purchase society in each village and the enlisting of all adult agriculturists as members.

The society will purchase the requirements of its members in bulk and sell them with the least margin of profit. The Government must lend money to these societies to build their godowns. There should also be a wholesale society at the headquarters of each district and one at the provincial headquarters to bulk the produce to the villages and the districts.

If this is done the whole profit will go to the actual producers who will realize at least 50 per cent more than they do now. The reason why the agriculturist does not thrive is that he does not get the full price for his produce. In that case an agriculturist may have to sell only 13 to 14 kandas for every 20 that he now sells and keep the remainder for the use of himself and his family. There is no doubt that if purchase and sale societies are established, as suggested above, the farmer will save much and be relieved of his indebtedness. At present, there is no direct connection between the producer and the consumer.

Bills of exchange, bills of lading and all other instruments of ownership of goods and produce are quite unknown to the agriculturists. He is out of touch with them. Very often the agriculturist is forced to sell away his produce at a low rate to pay the land revenue, to repay loans and to meet other pressing calls. He cannot afford to wait till the price shows an appreciable increase. He must be allowed cheap credit to meet these calls. But now it happens that idle middlemen living in the town get cheap credit and reap all the benefit of the increase of the prices, not the poor agriculturist who labours hard with the sweat of his brow and under great strain. This is a great drain on the agriculturist and must be put a stop to. If only the agriculturist gets the benefit of the increase of prices, which should rightly go to him and not to the middlemen who take advantage of his helplessness, I am sure that within a period of 20 years the agriculturist will throw off his indebtedness and be an asset to the country. He will adopt new methods of cultivation and the reproach that he is unprogressive will be removed. He will withstand famine much better than he does now. India with a vast population numbering one-fifth that of the world and with its wonderful soil, climate, rainfall and irrigation facilities will be able to supply not only her own needs but also the needs of the rest of the world in the shape of agricultural produce, fruits and raw materials for industries. The Indian agriculturist now suffers from want of an organization. Government can help him as much as I have suggested above. Government should take steps to reduce the freight charges on goods carried by railways. At least this concession should be shown to the co-operative purchase and sale societies.

3. The value of land mainly depends upon the density of the population, the nature of the soil and the facilities for irrigation, the climate and the healthiness of the locality and the facilities for marketing the produce. Another very important factor to be reckoned with, is the wealthy or poor condition of the people. Wherever the climate is good and the soil rich, the population will be dense. There is a good demand for lands and high prices are offered. Very often if the cultivator, provided he can afford the amount, offers more than an absentee landlord or one who does not actually plough but lets the land to tenants. For he will get all the produce of his land for himself and the higher the labour bestowed on cultivation, the greater will be the profit. Another factor that counts is the kind of crop that can be raised on the lands. Wet lands with good facilities for irrigation and capable of producing sugarcane, paddy, plantains and betel, fetch the highest price. Dry lands producing industrial crops like groundnut and cotton fetch better prices than lands producing only food crops.

In this district, the value of lands producing paddy, plantains and betel in the tracts irrigated by the Cauvery as in Mohanur, Velnr and other villages varies from Rs. 1,000 to Rs. 2,000 per acre. Land of the same description in dry tracts vary from Rs. 500 to Rs. 1,000 per acre. Good dry

lands cost between Rs. 200 and Rs. 1,000 per acre while there are lands in hilly and malarial tracts which do not fetch even Rs. 20 and in many years the cultivator is hardly able to pay the Government kist. In the case of lands which are sold in auction in pursuance of a decree the amount realized is very nearly the real price. In any case 75 per cent of the real value will be realized.

4. Local money-lenders are giving long term credit to landholders at high rates of interest for land improvement, for purchasing lands and for redeeming prior debts. The landholders are unable to pay even the interest after meeting agricultural and household expenses in good years. So much so the debts are handed down for generations from father to son and grandson. Some debtors sell the lands and swell the ranks of tenants and labourers. To remove these hardships the best course is to enable the agriculturists to get credit at a cheap rate of interest and also for long periods, to enable them to pay off principal and interest from their savings and not by borrowing or by selling their lands. This can be done only by the starting of land mortgage banks within a radius of five miles from each village. There are only fourteen societies working in this Presidency and even they are suffering from want of sufficient funds.

Even though the people have got sufficient funds to deposit in the banks they do not do so simply because they have no confidence in the banks and moreover the rate of interest allowed is very low, i.e., between 5 to 6 per cent. To remedy this, confidence should be inspired in the minds of the depositors by doing propaganda work on the advantages of investment and on the safeguards provided by the by-laws. As to the second point a law should be enacted that in cases filed in civil courts on promissory notes or mortgage bonds, a decree should not be given for a higher rate than $6\frac{1}{2}$ per cent of the rate charged under the Land Improvement Loans Act for the whole amount from the date of the deed. If a law on these lines is passed, money-lenders will deposit their money in banks and in co-operative societies. Co-operative societies are the safest banks, so deposits will flow to them. Secondly as there is no central mortgage bank to finance the primary mortgage banks they are unable to raise sufficient funds.

If this is done, funds will freely flow into the banks. As people will have full confidence in the central mortgage bank, deposits will flow more freely to it than to the primary mortgage bank. The next thing that the Government have to do is that they should arrange to render all assistance to the central mortgage bank through the Imperial Bank.

Debentures may be floated both by primary and central mortgage banks. But in the former case there will not be much response. If the central bank floats it the public will have confidence and respond heartily. But in the beginning the Government should give to public a guarantee for interest at 5 per cent at least for the whole amount raised by the bank as debentures. If this is done and if the law above referred to is enacted there will be a free flow of capital to finance the primary mortgage banks to their full requirements. Unless this is done, the landlords will not be able to reduce their prior debts nor will they be able to make any permanent improvements to their lands. To finance the co-operative societies for short term loans not exceeding 5 years the present District Urban Bank and the Apex Bank will serve their full requirements. As regards agricultural expenses and expenses for the purchase of food stuffs and for the payment of kist, the agriculturist should raise short term loans not exceeding 5 years from co-operative societies. For redeeming old debts, for making permanent improvements of lands and for purchasing lands, they should raise long term loans from primary mortgage banks for periods varying from 5 to 30 years on the security of lands.

If sufficient funds are not allowed to pay their debts, from their earning they will not be able to repay them and they will be forced to raise loans elsewhere. Secondly in cases where the borrowers are not able to repay in due time, extension of time must be allowed when the inability to repay is due to unforeseen circumstances. If both long term and short term credit are denied to the landholders, there is no salvation for them. Special precautions may be taken to protect these banks from loss. A superior staff may be employed to verify the assets of all primary mortgage banks and

central mortgage banks annually, as the auditing staff are now employed. The cost to Government on this account will not exceed a lakh of rupees. And surely it is not much when the advantages are considered. Unless the Government comes to the help of the landholders, there is no chance of their clearing their debts, which hang as a mill stone round their neck.

5. It is very difficult to know exactly the extent of indebtedness of the people of this Presidency or of India. But it can be roughly ascertained by enquiries in each and every village by competent local men as the census work is done every ten years. And even then people will not give out their debts as their borrowing power will be affected. There are also other methods—(1) by ascertaining from Sub-Registrar's and Registrar's offices the amounts borrowed on the security of lands from the mortgage banks, (2) by ascertaining from all co-operative banks and joint stock banks the amounts lent out by them on pro-notes, (3) by ascertaining from all income-tax payers the amount they have lent out, (4) taking a list of loans that have been given by the members in the property statements and (5) by making out a list of loans from the suits filed in Civil and Panchayat Courts. If the above informations are collected with care we can have a rough idea of the indebtedness of the people. But I can only say that a greater part of the landholders are over head and ears in debt. The amount of indebtedness, much less the amount borrowed for each purpose, cannot be ascertained unless a special enquiry is arranged in every district. In this Presidency where there are only 13,000 societies with 900,000 members, they have raised loans totalling roughly Rs. 5 crores. Taking the whole population, we can say that the indebtedness comes to about two hundred crores of rupees. But 90 per cent of the indebted people are indebted to money-lenders and the remaining 10 per cent only to co-operative and joint stock banks. So they are unable to pay interest on debts even in good years, after meeting household expenses and cultivation charges. As I said above, landholders have become tenants within a period of 10 or 20 years and many lands have passed into the hands of money-lenders. This is the bare truth. This state of affairs takes away all incentive for making any improvements on their lands. They do not improve their lands and get very little produce and the whole thing goes in a vicious circle.

6. The industries of this Presidency are very few. Very few of them are big concerns, giving occupation to few. We have not even cotton and spinning mills on the scale of the Bombay Presidency and the Central Provinces nor Jute mills on the Bengal scale. Very few large scale industries are carried on. These can at best give employment to only 25 per cent of the people who live in towns or in the neighbourhood of towns. But 75 per cent of the population who live in villages are practically without any occupation to supplement their income from agriculture. It is true that hand weaving with mill and foreign yarn is carried on in some towns and villages. Though the Khaddar movement has given an impetus to this, still much work remains to be done. Cottage industries of this type must be encouraged, such as hand-spinning and weaving, dyeing, mat-making, blanket-making, brass vessels making, etc. The ryot even in years of good rainfall has work only for six months in the year and the remaining period is practically idled away. To make the farmer turn his time to useful work and also to supplement his income from agriculture so that he may not migrate to the more unhealthy towns and cities and that he may also work with his whole family, these cottage industries must be revived. In this district most of the lands are dry and the farmers should have subsidiary occupations like spinning and weaving. These must be encouraged. The farmers must be provided with funds to purchase raw material and it must be arranged to take from them the manufactured goods for sale at proper prices. This can be done by the establishment of purchase and sale societies. These societies may purchase in bulk and sell the goods at good prices. The local co-operative society may finance them to purchase the raw material which will not after all be a big amount.

Facilities should be given to the people according to their taste, their habits and particularly according to their environments and the needs of the locality. A hundred years back before the introduction of machinery cottage industries such as spinning and weaving were thriving in India and she was able not only to supply her own needs but also the needs of many

other countries. All that has been greatly changed now. Cottage industries such as hand-spinning, hand-weaving, carpet-making, mat-making, blanket-weaving and vessels-making should be revived and encouraged and there are endless possibilities in store for them. If no steps are taken to preserve and encourage them they will disappear soon. We do not want in India large-scale production. Taking motor cars, for example, Mr. Ford is producing them so rapidly that in a few years they will have no demand. We do not want luxuries for our farmers but only the bare necessities for which there will be a constant demand and which will give work to 90 per cent of the people.

7. As I said already in my answer to question I, joint stock banks and the Imperial Bank touch only a fringe of the population residing in towns and cities. At present, the Imperial Bank gives help to the co-operative banks by allowing and overdraft of nearly one crore of rupees. The Imperial Bank can finance all co-operative banks which finance credit societies to the extent they require for short-term loans not exceeding five years. But for long-term loans, i.e., for financing primary land mortgage banks money may be obtained on the lines suggested in paragraph 3.

II.—Indigenous banking.

Indigenous banks are banks run by individuals or private firms in towns either singly or jointly. The sole partner or partners themselves subscribe the capital and do lending business on promissory notes if for short periods or on the security of immovable property if for longer periods or on the pledge of silver and gold jewels. The amount of capital invested in indigenous banking is generally very limited and the banking business also is very sluggish. The bankers in their own interest curtail their expenses as much as possible so as to get the maximum profit out of the few transactions that take place. Seldom do these banks have transactions among themselves. In time of necessity, however, these bankers assist themselves by lending money to their less fortunate brethren only if they are safe about the money which they lend. Ignoring such cases, they also assist themselves, in honouring cheques issued by banks well known to them for short periods and intervals. The fundamental reason for such poor co-ordination and mutual trust is that the volume of business transacted is not large, that many indigenous banks are not conducted on sound banking principles and that Government do not have any the least touch with the working progress and soundness of these institutions.

It can be profitably suggested that the Government though they do not take over the control of these institutions, still they may undertake the auditing, and publishing periodical reports of these institutions and inspire the confidence of the public by their reports. It has always been the experience that the public have got greater confidence in the open acts of the Government, that they criticise and rectify where necessary rudimentary defects and vouchsafe for themselves certain good terms. When Government takes upon itself the auditing and checking of accounts, the individual banks will have greater confidence among themselves, their volumes of business collectively as well as individually will increase in huge proportions. As observed by me *supra*, the private banks stand by themselves and are not assisted to any great extent by the Imperial Bank and co-operative banks. If only the Government intervenes and takes a share in the working of these institutions by its undertaking to audit and check their accounts, I am confident that these banks will stand on a firmer basis. Their business will increase and they may solicit the assistance of Imperial Bank of India. I do not doubt that the Imperial Bank of India will not grudge to assist these banks financially and otherwise, because the former is aware of the Government assistance the private banks are having and will place entire confidence on the abstracts issued by the Government, for any concessions it may offer to these private banks.

It is an indisputed fact that other countries such as Germany, England and America are far ahead of us in their banking enthusiasm. The causes that are at work for our slow growth in this direction will be dealt with by me separately below. Still this is not a fact to be ignored, which prompts me to make a very useful suggestion, I suggest the creation of

an Institute of Bankers in a central place and also branches in the various provincial places. In these institutions, facilities for instructions and practice in the methods of banking are to be imparted. The institute must be under the direct control of the Government and the staff of the institute should be both foreign as well as Indian in which will be included experienced persons in banking. Conditions of admission to these institutions must be made attractive so as to bring in the best class of persons. Further, the Government should institute scholarships for training in foreign banks, so as to encourage the spirit of banking generally and particularly to place the banking conditions of each province on sound structure. I am distressed to note that they are very few, who can be conveniently numbered, who really know and practise the true principles of banking. No doubt it does not require any great knowledge to distribute the items to credit and debit side, to total them up and prepare routine abstracts and statements. Not many go deep and investigate the possibilities of banking and the right direction in which the banks can be given a lead. While other countries are so advanced in banking, it is most damnnatory on our part to be so slow in our growth. It is high time that the Government awake themselves to this grave danger and adopt proper measures to ward off the evil.

The rate of interest charged by these bankers varies from 12 to 18 per cent. As the transactions are few in number these bankers are necessitated to charge huge rates of interest. Much of the capital sometimes lies idle in their bank vaults. Generally on pro-notes and on the security of immovable property, the rate of interest is between 12 to 18 per cent.

In all these banks, there is what is known as the kandhu system, i.e., the borrowed amount is payable in instalments which may be monthly, weekly or daily. The rate of interest charged is from 18 to 24 per cent. The volume of business conducted by these indigenous banks on this item is tremendous and it may be confidently asserted that many of the indigenous banks derive a major portion of their profits from this peculiar transaction. This system of lending has peculiar affinity with the middle class and somewhat rich people. These classes are in sudden need of money. Though they can command large sums some time hence, still they do not have even paltry amounts for their immediate use at the particular moment. Therefore they suddenly fall back upon this kind of borrowing. For short periods, they are not unwilling to pay high rates of interest because large sums can be obtained in this fashion at short notice. Personally I may put in a word for the extension of this system of lending in co-operative banks. If it has not been in vogue, at least steps should be taken in future to revive and enlarge it. Co-operative banks may be directed to lend on kandhu system, to the labouring tenants and poor agriculturists for their urgent petty expenses; and the borrowers may be asked to repay these amounts in small instalments at convenient periods. The rates of interest charged on these loans must be low. These loans should always be granted on the personal security of an individual who must be made responsible for the payment of instalments, if the borrower fails to pay any instalment that falls due. If this step were taken, it will greatly decrease the sufferings of poor agriculturists, farmers and day to day labourers and improve their conditions considerably. Further, I may desire to point out that the procedure outlined above will kindle the attitude of investment in the various classes in the rural parts and greatly ventilate their ideas about banking, saving and investment. I daresay that the rate of interest charged by the indigenous bankers on the kandhu system will decrease, if the co-operative bank should annex to itself this process of lending money at a low rate of interest.

The agricultural community is least affected by this kandhu system of indigenous banks. Primarily they do not know the existence and working of this system. In some cases, however, the rate of interest is prohibitively high, i.e., from 18 to 24 per cent and they are not able to pay the instalments punctually. The agricultural population look forward to the co-operative banks for loans. If they are denied loans at these places, they resort to borrowing from the indigenous bankers on the security of lands at a high rate of interest. These loans are sanctioned quickly and they get the sums at short notice. On account of the

high rate of interest they are not sometimes able to pay back these sums and are irretrievably lost in debt. A bold step can be taken in this direction by enacting that indigenous bankers should not lend at a higher rate than $6\frac{1}{2}$ per cent and that $6\frac{1}{2}$ per cent should be the prevailing market rate of interest everywhere of course urgent necessity may induce borrowers to contract terms which may not be found in the agreement. If such cases are discovered and punished in both sides the clandestine dealings will soon be given up, and the proposed legislation will rule in all transactions. These measures are expected to secure credit at a cheap rate to the poor agriculturists both quickly and conveniently. Till recently Nattukottai Chetti banks have been lending money to agriculturists on the security of land at exorbitant rates. With the advent of the co-operative movement such banks are diminishing in number and deteriorating in their business. With the extension of the movement, the Nattukottai Chetti banks will be completely razed to the ground and their institution will become a thing of the past.

In the interest of the agriculturists who borrow greatly from these indigenous bankers and Nattukottai Chetti banks, a regulation should be introduced in the operations of these banks. Legislation fixing the maximum rate of interest, consistent with the equitable working of the indigenous banks, is a decisive step forward in the uplift of the agriculturists. I do not think that such a check will be resented by the indigenous bankers. For I am confident that the business of these banks will increase, the total profits realized will be greater and therefore the transaction will be more profitable. Much of the capital of these banks lies unused; because loans are most carefully scrutinised before they are granted and because many of the local applications do not satisfy the rigid requirements. Further, the rates of interest are high as to prohibit certain classes, from launching themselves in debts carrying high rates of interest. From what has been said above, it can be easily seen that legislation ought to be taken immediately fixing the maximum rate of interest.

I am of opinion that private banking is a healthy sign of the financial growth of a country. The more vigorous these private banks work and the greater the facilities that they give to their customers, the more comfortable the people will be. The indigenous banks must work in competition with co-operative banks and Government banks. Therein lies the salutary growth and the greatest benefit to the people. To connect the indigenous banking with a central reserve bank is certainly a happy idea in itself. To keep the reserves of all the indigenous banks in a central reserve bank and thereby to increase the available capital for lending is what is connoted by the expression "Central Reserve Bank". It is well to point out that these indigenous banks are few and far between and work with small capital. By adopting the means suggested above the volume of business of the indigenous banks may be increased. Thereby the reserves which they will be made to keep, will be the minimum. Still great advantages can be secured by collecting all the reserves in a central reserve bank, which can be attached to Government treasuries and Government banks. For each district there can be created a central reserve bank for indigenous banks and also a competent Government staff to audit and report about every banking institution. Thus great confidence will be inspired in the public and the indigenous banks after having reduced the rates of interest will be of great service. No doubt the co-operative banks can secure all these effects. But it may be asked whether such a large capital as will meet the entire needs of the community can be secured by the co-operative banks. Since the co-operative banks cannot command the entire capital demanded by the community, indigenous banking must be encouraged with the proposed restrictions and improvements.

My foregoing remarks raises one important problem. What is credit and what are its functions? Can anything else satisfy the requirements as well as silver or gold? Credit is anything that has a value, i.e., anything that can be exchanged in the market for goods or commodities. It has been suggested by deep thinkers on the subject that the introduction of bank notes can relieve the indebtedness of the people. By introducing bank notes of small denominations which may be put into circulation by the common convention of offer and acceptance, the rate of interest may be lowered very much. If bank notes are acceptable as gold or silver both

is repayment of debts and in exchange of commodities, the rates may be reduced considerably. People ought to be educated about the exceptional advantages of the system and should be induced to accept the bank notes. The bank notes should be put in circulation according to the needs of the community. But they must be redeemable in coin. If the entire clientele is educated in the efficiency of the system, there will not be a great demand for redemption in coin. The bank notes may be introduced through the co-operative societies and they must be uniform for the whole of India. For this purpose, an issue department like that of the Bank of England must be established for the whole of India which must issue notes of small denominations according to the needs of the banks. The entire clientele of the co-operative banks must clearly understand that these notes are acceptable among themselves and for payment of their dues to Government. This acceptance on the part of the Government will serve as a prop of the entire cheque system and will kindle the confidence of the entire public in the notes. What then is the difference between these bank notes and Government paper money. The obvious difference is that bank notes are redeemable in coin whereas Government paper money is irredeemable or fiduciary paper bank notes will be in circulation only according to the needs of the community; if they should happen to be in excess they are returned to the bank for redemption. In the case of Government paper money, they sometimes thoughtlessly put in circulation quantities greater than the requirements and refuse redemption in coin. By guaranteeing perfectly easy redemption in coin the bank notes will serve the great purpose of reducing the rate of interest. Now co-operative banks borrow from the urban and central banks at 4½ per cent and lend at 6 per cent. If bank cheques are issued and accepted they can be lent at a nominal interest of 1 per cent to 2 per cent. This will go a great way in relieving the financial strain of the agriculturist. The agriculturist finds it more irksome to pay the high interest charges than he finds to repay the principal amounts.

The bank notes must be made redeemable in any Government treasury or in the Central Issue Department and its branches or in the Imperial Bank and its branches. The Central Issue Department must keep great reserves to redeem the bank notes at any time. The Government, whenever occasion requires, must pass legislation and publish circulars giving a sort of security to the public about the bank notes. But perfect ease must be maintained in mutual exchange. The pay of Government officers may be distributed in the form of bank notes. But these notes should not be forced upon them. Of their own understanding they should receive these notes. Such a distribution of pay to Government officers will create the public atmosphere necessary for the notes to be forced into circulation.

One important good effect results from this cheque system. The coins both gold and silver will accumulate in the hands of the foreign traders. Thus more money will be available for foreign trade. More commodities that can find a market in India will be imported. To equalise the greater imports, more should be produced at home. Greater production and in exchange a large number of imports will add to the comforts of the people primarily and the extra accumulation of capital can be utilised to pay off the railway and public debts and relieve India from her home charges to the extent of Rs. 15 crores every year. If this is removed in the course of a few years, India will be on a sound financial basis. Production both industrial and agricultural will greatly increase and shed happiness and comfort on every one.

Government should always be careful to see that gold or silver does not come to have any premium. By maintaining easy transferability between gold and bank notes this can be avoided.

I have alluded above to the Central Issue Department. I have pointed out that great reserves should be kept in the Central Issue Department. 50 per cent of the notes should be kept as reserve in the several provincial branches of the Issue Department. Of this 50 per cent, half should be kept as cash for payment for redemption at any time and half must be kept as deposits in the various Imperial Banks, which can be made use of if occasion requires.

In connection with the central reserve bank I have treated at length the topic-growth of cheque habit. This is more an answer for question 4 under Part III. I will briefly refer to this in my answer to that question.

It is an obvious phenomenon that indigenous banks get a large net return on their capital, after meeting the legal expenses, management charges, losses through default, etc. Since they lend at a high rate and since they lend only on good security the net return is very large. The working capital is sufficient to meet all the present demand. For, only few go to it since the rate is high. The security offered in some cases is not acceptable. If by an enactment the volume of business is increased owing to the reduction in the rate of interest, I think that the working capital may not be sufficient. Still new banks are expected to rise and supply the need for capital. When bank notes are issued, by that amount the total medium in circulation will be increased and these banks will find their capital sufficient for their expenses. These banks also must be made to accept the bank notes of the Co-operative Department. But it is a problem whether these people can find transaction. When bank notes are lent at a nominal interest of 2 per cent, only the rate of interest will be lowered but there will always be the demand for money.

III.—Investment habit and attraction of capital.

1. All banks are now run by deposits—fixed, current and recurring. They receive the deposits at 4 per cent and lend at 7 per cent to 9 per cent. In the case of private banks, they do only lending business. Capital is subscribed by partners and they do not receive deposits. The best means of encouraging savings and investment habit are by starting co-operative societies in every village and hamlet. The poor agriculturists must be acquainted that the banks are intended to receive their savings as much as to give them loans. The opinion greatly prevails that the co-operative banks lend money at a cheap rate of interest. This aspect that the co-operative banks receive their savings has not been well understood by many and Government must take measures to bring home to the members of the co-operative banks that they receive deposits, however small, from them, give interest on them and return them whenever they may require. Government should undertake propaganda and make the people take greater interest in collecting deposit savings from its members and returning the deposits whenever the members may require. One or two instructions will greatly stimulate the public and they will thenceforward place all their deposits with the banks. In the case of co-operative societies with unlimited liability, responsibility is with the members themselves and they will see that the societies are conducted properly. This appears to be the best form of the society. The liability being unlimited, each member is interested in seeing that the money is safe and that the borrowers pay back punctually and utilise the borrowed money for useful and productive purposes. It is a wholesome check against the misuse of money or extravagance by the members. It is in these unlimited societies that facilities are found for the members to repay their old debts borrowed at a high rate of interest. There is also the brotherly feeling and sympathy for each member is interested in the welfare and progress of others. Such facilities are not found with other banks.

I am of opinion that the public are provided with full facilities for the investment of their savings. The public are allowed to deposit and invest in the co-operative banks and they are allowed to place their money in the Post Office savings bank. Besides, almost all banks offer savings bank accounts to be opened by its members. The facilities for interior places are co-operative banks and Post Office savings banks. These two openings are enough to satisfy the requirements of the people but they are not utilised at all because they do not understand these facilities. The best way is to do propaganda work and dispel the ground of the gloomy outlook that the co-operative banks are for lending only, and induce them to place their money in the banks.

The interest that is allowed on deposits and savings bank account is very low and this deters the intelligent class from placing all their deposits in banks. The small capitalists find private lending more remunerative. By fixing the rate of interest chargeable and by bringing the interest allowed on the deposit very nearly equal to that maximum, deposits can be attracted to these banks and private lending greatly minimised. The only institution that can work with the greatest advantage to the borrowers as well as depositors is the co-operative banks. Let

us take a hypothetical case. Suppose the deposits are received at 6 per cent and the working expenses be half per cent. Suppose the maximum rate of interest is 7 per cent. By private lending an individual will get one rupee at the most for every hundred for one year. In such a situation the attitude of the private lender will be to deposit the money in the bank and be secure of 6 per cent than lend to private persons and create for himself loss of money, worry and unnecessary litigation.

2. Postal cash certificates or savings bank deposits are not very popular with the people. It is only a very few persons who purchase these certificates as the rate of interest allowed is very low in comparison with the prevailing demand for money. Those who can afford to purchase these certificates prefer to lend money to individuals privately. If co-operative societies are run efficiently and a standard rate of interest established much money will flow into the savings banks and postal cash certificates also will become more popular. Only rich people resort to savings banks accounts and purchase of postal cash certificates. Further, traders conducting business on borrowed capital must be induced to purchase these cash certificates so as to give a sort of guarantee to the creditors.

3. The people in my district do not invest much in silver and gold. The reason is that they do not save much and they live a hand to mouth existence. What little they save, they hoard for future use and only a negligible portion is invested in silver and gold.

Taking into consideration the habits of various groups of people in my district they can be divided into three groups. In the first group are to be placed officers, lawyers and professional people who get huge incomes. In the second group are to be placed big landlords, officers with petty income and stray agriculturists. In the third group are to be placed day to day labourers and poor agriculturists. The people in the first group save much and they invest their savings mostly in popular private banks or in secure Government banks; occasionally some of these people who have got some interest in agriculture invest the money in land. The second group of people are not able to save much and they want to get high interest on their small savings. Therefore they continue private lending at high interest—12 per cent and above. The third class of people are not able to save much. They imagine they are lords if they can secure bare subsistence. If, by a succession of favourable times, he is able to hoard money, he does not so easily part with it, he hoards it in his own house so that it may be of immediate use. Moreover he has got grave doubts about the safety of the money if it is invested in banks. Regarding the purpose and manner in which these classes of people spend their money I may be permitted to say a word. The first class of people generally spend their money in purchasing houses, in purchasing cars and in other luxurious ways such as lavish expenditure during marriage and festive occasions. The second class of people spend their money more judiciously. They are averse to luxuries and they would part with their money only for bare and indispensable necessities; for instance, they may purchase small comfortable houses costing rupees four or five thousand whereas the rich class will either build or purchase houses for two or three lakhs of rupees; in all their expenses they are always moderate and calculating. The third class of people are mostly anxious about the safety and preservation of money. They know how difficult it is to accumulate money. Their expenses are quite reasonable. In their case, they spend money only in purchase of lands which will yield fruit to their hard labours. They do not like lavish expenditure on productive items. One reasonable expense which all the classes undertake knowing it to be a waste is the money spent for litigation. In litigation these people are entangled sometimes unnecessarily and they are made to spend lots of money. Sometimes, they conduct litigations wilfully and it is all due to want of understanding. Except for items like Government kist, warrant amount and litigation the third and second classes will not part with their money. Farmers lend to fellow-agriculturists in small amounts on terms purely oral. For big sums they lend on the security of lands. The surplus which they are able to get in a prosperous year is not invested in banks. They hoard the surplus in their own houses and sometimes lend their money on security of lands.

4. I have dealt with the growth of cheque habit in my answers in Part II. I shall deal here only with the use of vernacular scripts in banking. At present the business of the indigenous banks and primary societies are conducted only in vernacular script. In big banks like the Imperial Bank of

India, however, the vernacular is not used; of course it will be of great advantage if the vernacular script is used in banking. But as English language has prevailed with us so long and as the English language is essential in our foreign relations, e.g., exchange banks, it is better that the present script is continued. If a vernacular script is to be used it must be uniform throughout India and it is absolutely no use to have one language in one part and another in another part. There cannot be co-ordination between the several banks and correspondence too between banks cannot be carried in different languages. For such purposes it is best to have a common language for the whole of India and to have that language as the script in banking. These raise a broad question, namely, what shall be the national language? This question has been variously tried and experimented upon. Pending serious investigations, it is most advisable to conduct the banking work as at present in a foreign script; until a common national language is established in India it is but futile to bring about any whimsical and spasmodical changes.

5. It can be easily inferred from my previous remarks that banking and investment habit is of very slow growth. The fundamental reason is that till recently India has been raided and conquered by one tribe after another. Only 150 years ago the British conquered India and established the British rule in India. After the establishment of the British rule, peace, order and tranquillity have been maintained and everybody is vouchsafed safety of person and property. Before their advent, money was most insecure and hence in India money was shy of investment. Another reason is that the Indian people are mostly agricultural and banking work did not progress much with the slow agricultural operations.

Propaganda by Government is the only means of educating the people. A separate staff may, if necessary, be maintained to conduct lectures in various places and practically demonstrate the facilities offered to them. The co-operative banks must in the first instance be directed to ask the agriculturists to pay every year a small portion of the produce as deposits in co-operative banks. Government must make it its chief concern to propagate the rudimentary ideas about banking and its facilities. The proposed new atmosphere cannot be created in a single day. But it will take a long time and the work must be borne along patiently.

My recommendations may be summarized as follows:—

1. By affording cheap credit to the poor agriculturists by establishing co-operative societies in each and every village.
2. By granting both short-term loans for cultivation expenses and also long-term loans.
3. The creation of purchase and sale societies in every village and wholesale purchase societies at Madras.
4. Granting concessions in railway freight for the purchase of sales societies.
5. Reviving and encouraging cottage industries such as handspinning and handweaving, carpet weaving, blanket weaving, etc.
6. The establishment of a Government staff for auditing and checking the accounts of indigenous banks.
7. Creating in every district a central reserve bank with which the indigenous banks may be connected.
8. Passing legislation fixing the maximum rate of interest chargeable on loans.
9. The establishment of central mortgage banks with provincial branches to offer cheap credit to agriculturists for long periods on the security of lands.
10. The establishment of the institute of banks for affording training.
11. Introduction of bank notes of small denominations.
12. Creation of an issue department which will issue these bank notes.
13. Carrying on propaganda work to educate the people in banking work and its facilities.
14. Increasing the rate of interest in deposits and savings bank accounts and postal cash certificates to make them more attractive,

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Garu, B.A., Revenue Divisional Officer, Gooty.

I.—Agricultural credit and credit facilities for small industries.

1. Apart from the richer classes of ryots who have enough capital for all purposes, a large number of ordinary ryots in this division live by means of borrowing. They begin their cultivation by borrowing for their cattle, seed and implements and for this purpose they pledge their crops in advance to the village Sahukar so much so that when the harvests come in, a major portion of the produce is taken away by the Sahukar and nothing is practically left for the ryot. For his maintenance and clothing, for future agricultural purposes, and for all domestic needs he must again borrow. When the time for the payment of land revenue comes, the ryot must again look to the Sahukar who taking advantage of the urgent need makes an advance of the money at an abnormal rate of interest ranging from 12 to 24 per cent. What the ryot realises at the next harvest is barely sufficient to meet his liabilities. In the meanwhile the failure of a monsoon which is by no means uncommon in this division or the loss of crops due to insects, etc., the sickness of a member of the family or the marriage of the ryot's son or daughter renders the position of the ryot still more helpless. He invariably gets into deeper debts and the Sahukar is no longer satisfied with the pledge of crops but manages to have all the ryot's lands mortgaged to him. The Sahukar then becomes the ryot's banker, and seemingly reluctant but really feeling triumphant doles out small quantities of grain, or small sums of money for the daily wants of the ryot. The Sahukar charges his own rates of interest as the ryot can no longer afford to bargain with him; what is worse, the ryot has next to plough the lender's field gratis and to do any work at his bidding. The younger members of the family, the sons or brothers are sometimes engaged as the private servants of the Sahukar without wages and in partial payment of the interest on the amounts borrowed. The inevitable result of all this is that in the course of a few years the ryot is unconsciously driven into a state of absolute slavery.

The next class which comprises a no small number is that of the landless agriculturists as distinct from wage earners. They have nothing but their physical labour at their disposal and they have only to start by engaging themselves as the 'Palikandlu' (partners) of the richer ryots. Cattle, seed and implements are all given by the ryot and labour only coupled sometimes with a share in the shape of one or two bulls is contributed by the 'Palikadu' and the latter gets a fixed proportion about $\frac{1}{4}$ of the produce. For his daily wants again he has to draw on the ryot and at the end of the season his so-called share is not even allowed to be taken to his house but carried away by his ryot. Experience shows that this class of unfortunate ryots have not only to work in the ryots' field in return for bare subsistence but what is worse they have to help in all village politics and factious quarrels, and in all kinds of litigation. All this is because the honest labourer had no capital to start with.

Considerable relief has been afforded by means of State loans for the sinking of wells, and other permanent improvements, for the purchase of cattle, seed, fodder, etc., but the takavi system cannot help in removing the indebtedness of the ryot for no loans are granted for the purpose of payment of old debts. Co-operative credit institutions have also done immense good in this direction but there is still much to be desired. In this division there are only about 100 societies for as many as 233 villages and several of these are mismanaged owing to illiteracy and ignorance of the members and the nancy of suitable men to do the Secretary's work. The few men that become available—very often the village karnams and reddis—lord over the rest and turn everything to their personal advancement. These defects can only be hoped to be removed by the development of rural elementary education on sound lines providing not only for the acquisition of the elementary

knowledge of reading and writing but also for the development of character and the acquisition of business habits. An equally good remedy seems to be the training of adults in the management of their affairs. This can be achieved by inspectors and co-operative unions giving constant lessons to the members of the rural co-operative credit societies and to the villagers in general.

It need hardly be said that the existing defects are common to all new institutions and by no means peculiar to this country. With the spread of popular education and with longer experience such defects are bound to disappear.

Co-operative societies wherever they have been properly worked have achieved tangible results. They have not only relieved a large number of ryots from slavery to the village money-lender, but also have taught them the principles of thrift and self-help. In a way the co-operative societies may be considered to be more useful to the ryot than the takavi system. The elaborate formalities to be observed in the case of takavi loans and the consequent delay in affording relief are very often irksome to the needy ryots. In this respect co-operative institutions afford greater facilities.

Further, co-operative societies can exercise a more effective check upon the borrowers as they have constant opportunities of watching them and in this way they can minimise fraud or misapplication. There are several instances of ryots who obtain takavi loans for the purpose of purchasing bulls but who actually spend the amounts on extravagant marriage ceremonies, or in clearing old debts. When the inspecting officers come for verification, they easily hoodwink them by not only managing to get the bulls of other ryots but also by procuring evidence to the effect that the animals belong to themselves. These dodges are not possible in the case of loans from the co-operative societies, as the members exercise a sort of mutual check. The majority of people in this division are agriculturists and considering their habits, their economic and social conditions the development of co-operative societies and the organization of schemes for their proper working seem to be what are most needed.

3. (1) Agricultural land in this division may be divided into four classes—

(1) Wet lands irrigated by tanks and channels—yielding paddy, betel and sugarcane in parts;

(2) Dry lands irrigated from private wells—yielding cholam, ragi, onions, chillies, coriander and wheat;

(3) Dry unirrigated lands—black cotton soil—yielding cotton, white cholam, kora and groundnut; and

(4) Dry unirrigated lands—red soil—yielding kora, sajja, red gram, horsegram and groundnut.

The value of the lands comprising the first class depends mostly upon the nature of the irrigation sources and the facilities for manuring. Some lands under the Pennar river channel, for example, in Chagallu village of Tadpatri Taluk, which generally yield two crops in a year, are valued at Rs. 1,500 to Rs. 2,000 per acre. Those under ordinary spring channels and tanks which are precarious are valued at Rs. 200 to Rs. 500 per acre.

Lands of the second class—value varies from Rs. 200 to Rs. 500.

In the case of the lands of the third class, the value again depends chiefly upon their vicinity to the village and to the market and upon facilities for manuring. Values vary from Rs. 250 to Rs. 1,000 per acre.

Lands of the last class are generally valued at Rs. 25 to Rs. 100 per acre.

(2) Valuable land very rarely comes up for auction for non-payment of revenue. Generally lands which have to be sold for arrears of land revenue are those which are neglected by the owners—mostly absentees—who do

not think it worth while to bestow the required labour or who find it difficult to otherwise arrange for their cultivation. These lands often belong to the last class named above.

Lands brought to sale by civil court decrees fetch only low bids for want of competition, as none but those directly interested in the suit appear at the court; secondly, because such lands are generally otherwise encumbered. People of other villages do not generally find it profitable to purchase them.

The value of lands purchased by private negotiation generally depends upon the market value of similar lands in the vicinity.

5. (1) I append a statement showing roughly the extent of indebtedness in Khojjepalli of Gooty Taluk. It is a small village consisting of about 180 houses and a huge sum of Rs. 55,420 has been borrowed by the villagers, the creditors consisting of a rich Komati merchant at Gooty, a rich Muhammadan contractor, and a few rich ryots of the same village or those adjoining it. The Komati has lent as much as Rs. 20,500. The rates of interest charged are mostly from 12 to 24 per cent. Two co-operative credit societies have been recently started—one in the parent village and another in the hamlet, but they have not so far done much work.

(2) Fifty-seven per cent of the above debt is covered by land mortgage and with the exorbitant rates of interest the debt is bound to increase by rapid strides, and in a few years the borrowers will have very little hope of redeeming their lands which must necessarily pass into the hands of the creditors. The latter will not be able to cultivate them and will have to lease them mostly to the former owners. In the transition stage the ryot naturally loses interest in the land, takes little care in manuring it and does not strive to do cultivation in a really efficient manner.

(3) Most of the Komatis who own lands in this division have acquired them through money-lending. There are some villages where the rich landlords are no other than these money-lenders and the real agriculturists are their tenants and servants.

III.—Investment habit and attraction of capital.

1. & 3. The old habit of hoarding money under the ground is dying away though it is not completely extinct. The people in this division may be divided into four broad classes—

(1) Merchants, (2) rich ryots, (3) average ryots, and (4) labourers.

The first and second classes comprise very few in an average village and the last two classes form the majority. The first and the second classes do not generally resort to any forms of investment except lending their money to the villagers on favourable rates of interest on mortgage. This is because these loans fetch high rates of interest, 12 to 24 per cent., and convert them into local magnates with considerable influence and power. These are greater attractions than the benefits accruing from investments in co-operative banks or Government securities. The last two classes often have very little to lay by but in years of plenty the moneys obtained by sale of produce or savings in wages are spent in purchasing silver and gold jewels. This old habit is still prevalent among all, including groups (1) and (2) and by no means on the wane. Even the richer classes (1) and (2) think of lending out money only after having provided their families with sufficient quantities of jewels. This habit can be said to have a stronger hold on the less fortunate, i.e., groups (3) and (4). The first thing that an ordinary ryot or labourer does as soon as he is able to save a few rupees is to purchase a kadiyam, a bangle, vodyanam, a nanu for his wife or daughter. In this his action is due not merely to his own ideas but influenced chiefly by the women of the family. The people are still so backward and ignorant and rigidly governed by old custom that they do not think of other forms of safer and more profitable investment. The first step towards improvement seems to be to afford greater facilities to small agriculturists and labourers for investing their small savings. Very few people in the remote corners of the country can find it convenient to go over to the taluk or the firka headquarters for depositing a couple of

rupees in the postal savings bank. Here again the development of co-operative institutions seems to be the best solution. If each village should have a co-operative society, small investors can easily deposit their savings and withdraw them without trouble or expense whenever they want to do so. These institutions benefit not only the poorer classes but the whole population in general. The richer classes, i.e., groups (1) and (2) do not now go in for other forms of investment not because they are ignorant of the facilities for the purchase of Government securities or of other banking institutions but because they find that the present system of lending locally is from their point of view more profitable. This defect can be remedied not by increasing the existing banking facilities for the richer classes but by increasing credit facilities for the poorer classes. If the latter can easily borrow elsewhere they will give up the tyrannical village sowcar or the rich farmer and the latter would in course of time be compelled to invest their money otherwise than at present. This would tend to the economic and social improvement of the population in general.

5. (1) I strongly support the view that banking and investment habit in this country is of very slow growth and this is supported by the description of the habits and customs of the people as given above.

(2) Propaganda work by Government in regard to Government loans and by co-operative inspectors and co-operative unions in regard to the benefit of co-operative institutions, the method of successful working of these institutions, the habits of thrift and economy in social ceremonies—all these which are certainly likely to tend towards the amelioration of all classes—is essential. With the present staff of revenue officials it does not seem to be possible to do any propaganda work worth the name, but a systematic distribution of vernacular pamphlets in popular Telugu will effect considerable improvement.

APPENDIX.

Statement showing the extent of the indebtedness of ryots in Khojjealli village of Gooty taluk.

(Question 5 of Section I.)

Particulars of security.		Particulars of amounts borrowed at different rates of interest.		Purpose for which loans are taken.	
Land security.	Rs.	21,980			
House, ornaments and other movables offered as security	Rs.	:			
On promote.	Rs.	22,800			
Personal security.	Rs.	690			
Total.	Rs.	65,420			
	Rs.	1,600	6 per cent.		
	Rs.	2,040	8 per cent.		
	Rs.	39,670	12 per cent.		
	Rs.	1,340	13½ per cent.		
	Rs.	4,000	16 per cent.		
	Rs.	4,620	18 per cent.		
	Rs.	680	24 per cent.		
	Rs.	1,470	30 per cent.		
	Rs.	66,420	Total.		
	Rs.	7,390	Marriage.		
	Rs.	19,270	Household expenses including family maintenance, clothing, purchase of agricultural implements and seed, etc.		
	Rs.	6,280	Payment of earlier debts.		
	Rs.	2,000	Purchase of cattle.		
	Rs.	18,200	Purchase of land.		
	Rs.	890	House-building.		
	Rs.	90	For starting trade.		
	Rs.	300	Sinking of wells.		
	Rs.	66,420	Total.		

**Written evidence of the Andhra Bank, Limited, Bandar,
Masulipatam, Kistna district.**

1.—Agricultural credit and credit facilities for small industries.

1. Agricultural needs in this area were not exactly classified as short term and long term, that is to say, as expenses for cultivation and expenses for permanent improvements or other special needs until the co-operative organization stepped into the field. On the other hand, when the ryots borrowed money from sowcars, they had really three accounts: at first starting on a katha, it will soon develop into a pro-note and after some time attain the dignity of a mortgage so that after some time the ryot is indebted to the sowcar on all the three accounts and these sowcars are mostly village ryots themselves keen upon land acquisition. The state of indebtedness has, therefore, become deep-rooted and many-sided so that the only way out was to sell the land one day either voluntarily or in court. After the co-operative movement has come a sharp line of demarcation has been brought into existence, into short-term loans for cultivation expenses and long-term loans for other expenses. But even here, the so-called long term has been always a vascillating period being at one time ten years and now limited to five years. There is no certainty that when a ryot takes a long-term loan, he always uses it for a permanent improvement of the land. It is possible he uses it for buildings or marriages or for that matter, even for the purchase of an adjoining piece of land.

The rates of interest outside the co-operative movement range from 9 to 18 per cent, 9 per cent being very rare and only charged on mortgage debts of very large sums such as Rs. 4,000 and Rs. 5,000. It may be said that 9 per cent does not practically exist. But there are other debts of small volume the interest upon which goes up to even 36 or 48 per cent in which the interest is counted as so many pies per rupee per month. The period of loans is not always clearly defined, but oftentimes loans are taken on condition of being repaid during the harvest and such loans invariably carry interest in kind and that at a very high rate coming up to 25 to 30 per cent. This district is served by two co-operative central banks, one at Masulipatam and the other at Bezvada, the working capital of both of which comes to Rs. 30 lakhs of which a half would be the short-term loans given to 500 village societies. The estimate for the district, therefore, for short term indebtedness may be put down at one crore of rupees. In Gudivada taluk, eight Marwaris have given advances to the extent of 46 lakhs of rupees to the ryots of that single taluk both for agricultural and other purposes at rates ranging from 15 to 22 per cent. The complaint is that there is no such thing as a system operating in regard to the finance of agricultural credit. The ryots are simply compelled to drift for themselves and are at the mercy of the money-lenders where there are no co-operative societies. The remedy, therefore, is undoubtedly to plant a co-operative society almost in every village and even with that the needs of the ryots now supplied are not all the needs that require to be supplied. In the first place, there is a large percentage of population who are not co-operators and in the second place, even the co-operators are serving a part only of their needs.

Only recently have two land mortgage banks been started in this district which have distributed loans to the extent of five lakhs of rupees and covered an area of 60 villages. The maximum borrowing power of each individual hitherto has been two to three thousand rupees and it has just been raised to three and five thousand respectively. The period for which the loans are given is twenty years and the rate of interest is 9 per cent. There is no co-ordination whatever amongst the various credit agencies, including Government nor is any such thing to be expected where there is no system at all. So far as the Government is concerned, they have advanced Rs. 50,000 to one of the land mortgage banks and Rs. 10,000 to another. The amount allotted to the Kistna district under the Agriculturists Loans Act and the Land Improvement Loans Act was last year Rs. 5,000 and three officers exist for the distribution, the Tahsildar being

permitted to give loans to the extent of Rs. 500, the Deputy Collector up to Rs. 1,000 and the Collector up to Rs. 2,000 and when each of these prepared the cases the Board called off money for Bellary where there are famine conditions. The joint-stock banks in the district, of which there is only one, do not lend money for agricultural purposes although their loans are not confined to merchants.

2. The method of marketing produce varies with the social status and class of the producer. The very poor ryot sells it on the field and gets a poor return for his produce. Oftentimes he is obliged to give it to his money-lender who charges exorbitant rates of interest in kind. The man who fills the next stratum in society is able perhaps to carry his produce immediately to the nearest town where he is practically under an indenture to a commission agent from whom he had already taken advances. There are a few who are able to store their produce in godowns and find money for their needs by means of loans from the Imperial Bank or the local co-operative bank. The co-operative societies have made little headway with regard to produce loans while the Imperial Bank has penetrated many of the villages.

The difficulty about the co-operative marketing of produce consists largely in the way of pucca godowns. The producer is generally so much indebted to the village sower or to the town commission agent that he has very little choice as to the price or the time and the place of disposal of his produce. Provided this chronic indebtedness is relieved through the agency of the land mortgage and the co-operative banks, it is possible to pool together the produce in pucca godowns, obtain up-to-date information and sell in the best market. As regards godowns, they could be constructed by private enterprise or by co-operative effort at important places like the railway stations, junctions of roads or canal banks. They may be of standard dimensions so that for the purchaser, for the insurance company, and for the banks there will not be much difficulty in ascertaining the quantity, etc. The task of the banks will be all the more light if a responsible corporate body could issue some receipts like the warehouse-keeper's certificates because if they were to be found sufficiently reliable the banks may dispense with the costly establishment of godown-keepers, and periodical inspections by superior staff. This saving in establishment charges will ultimately benefit the producer who obtains loans from banks against produce. When moneys are advanced on thatched sheds and thatched "puris" the insurance rates are necessarily higher than on pucca godowns. It has been calculated that this year the rate of interest has come to 10 per cent for the Imperial Bank's produce loans. The absence of bureaux of information regarding prices and the variations in them from time to time in the hands of the ryots is a great handicap in regard to marketing of goods. Such information when made available through proper organizations to the village ryots would help them greatly in selecting the time and place for their marketing the goods. Two kinds of facilities are necessary in order to help the financing of products during the marketing. The commission agencies that now exist are always individualistic and capitalistic in outlook and they may be profitably replaced by co-operative organizations located in towns and at centres of groups of villages such as junctions of canals or railways. At present there is no such co-operative organization serving as a commission agency the object of which should be to make available the profits of its business to the original producer.

When a producer wishes to store paddy or a middleman wishes to do the same in addition to any that he has grown on his field, he must find some little money which is perhaps 20 per cent of the whole required as his share of investment on the purchase of the paddy intended to be stored. He requires only a credit facility for this amount at this stage. Once he gets this money, he bargains for a certain amount of produce from the commission agent on seven days credit and in the meantime storing the produce in a godown, pledges it to the Imperial Bank or the Indian Bank and gets the remaining four-fifths of the produce. With this money he pays the commission agent. Then when the time of sale comes, the real difficulty arises; for the man that has stored the produce must get from an independent source the money to repay the bank debt. That is just the season

when money is scarce and, unless he has brought money from an independent source and repaid the bank, he cannot release his own produce. After doing it, he must sell the goods in the market and repay with the proceeds the man who has temporarily financed him. It would therefore be a greater advantage and real help to the storer if the bank itself could undertake to release the produce on payment of money by the producer to it direct. The internal trade is greatly handicapped for want of facilities of internal remittances. Whereas the Imperial Bank discounts hundis and gives facilities for internal remittances on a moderate charge ranging about 1/16th to 1/4 per cent, the same facility is not afforded to indigenous banks when they come in as intermediaries. As a matter of fact, it competes fiercely with indigenous banks cutting its own rates in order to keep down its competitor. Thus it virtually puts down all indigenous banking business in regard to internal remittances. For want of facilities for cheap remittances, indigenous banks are now obliged to take a very circuitous route for the recoveries of moneys.

This necessarily involves greater expense and consequently the banks are at a very serious disadvantage. The Imperial Bank holds a privileged position in having the Government moneys with them for effecting transfer of moneys and also in having a number of branches. And the Imperial Bank abuses this position in the mufassal by refusing to give even the facilities it gives to ordinary customers. It effectively prevents constituents from going to the ordinary joint stock banks by all possible means and enters into an unfair and unhealthy competition. In cities, internal remittances for sums of Rs. 1/2 lakh and above are effected at 1/4 anna per cent for banks but in the mufassal, the minimum amount for such facilities should be fixed at Rs. 10,000 only; even collecting of cheques on their own branches for sums below Rs. 5,000 is not done at par for banks though in the cities this facility is given as a matter of course. The Imperial Bank is admitted to be the banker's bank and it being also admitted that it is the duty of the Imperial Bank to help the smaller indigenous banks in the country as was stated by Sir Basil Blackett recently, it should be made plain that the Imperial Bank should not compete with the indigenous banks but on the other hand afford all possible facilities for internal remittances. The indigenous banks may very well be made the agents for the Imperial Bank for gathering the bills and pooling them and for this purpose, it must be prepared to divide its commissions with the latter. It should not receive bills direct from the bazaar but should insist on their being presented through other banks, wherever they exist.

The duty on bills discounted at present is prohibitive and one of the reasons why they are not popular in the country and why people would like to take money on pro-notes is really this. There is no reason why the duties should not be reduced to the same proportions as on pro-notes. Of course it is not necessary to dwell upon the great advantages that will flow from the development of discounting of bills. There is no peculiarity in the hundis current in this part of the country.

3. The paddy yielding land sells on an average at Rs. 800 to Rs. 1,200 per acre. The dry land on which is grown maize, chillies and pulses sells from Rs. 400 to Rs. 800. These are the prices that rule in private negotiations. In court sales the prices have suffered by 20 to 30 per cent while in revenue sales the prices suffer for want of sufficient publicity.

4. Reference has already been made to the existence of two land mortgage banks in this district. There are no particular impediments to the mortgage of lands. One of them deals with Government villages and the other deals mostly with zamindari villages. The difficulties in regard to the latter are that no valid title-deeds exist in order to prove the rights of owners except where a record of rights exists. In the zamindari areas not only has the survey not been accepted by the zamindar but even the exchange of pattas and muchilikas has not been in vogue for decades so that it is almost impossible to get an encumbrance certificate from the Registrar's Office relating to the rights in these properties. It is a great pity that there is no record of rights in the Government villages in this Presidency and although the Madras Government had made enquiries and Mr. Smith, the Registrar-General, at one time assured the Government that he could conduct a record of rights in this Presidency, yet no steps are taken. Unless this is

done land mortgage banks cannot be organized on a liberal scale. Even the location of one Deputy Registrar for the eleven districts and one Assistant Registrar for each district cannot help in determining the record of rights though it may help greatly in determining the value of lands.

(b) Simplification of the process of foreclosure and sale by the land mortgage bank in the event of non-payment will undoubtedly facilitate by enabling them to bring up the properties mortgaged for sale without having to pass through the process of execution in law courts. This alone will make the land mortgage banks a real success in the country. The funds of the land mortgage bank may well be obtained from debenture bonds and even the funds from central institutions must arise only from that source. Deposits might however be taken for short terms in order to enable the banks to disburse the amounts periodically and regularly but it must bear a very small proportion to the total working capital. It has already been laid down by the Royal Agricultural Commission that the interest on debenture bonds should be guaranteed by Government. It is easy for Government to secure itself against unnecessary loss by appointing appraisement officers of high status not lower than the rank of a Deputy Collector whose duty it is to evaluate land and watch ups and downs in the prices of lands. Debenture bonds may well bear 6 per cent interest for a 20 years' term and the money may be made available to the ryot at 8 per cent. Debentures must be accepted as authorized investments under the Trust Act either by amending the Trust Act or by enacting a rule by the High Courts. It is also necessary to permit short credits being given on the security of debentures and advances by the Imperial Bank against the same.

5. One village has been certified, namely, Kowtaram, with a view to ascertaining all its indebtedness. Confidence has been secured in the bonafides of the enquiry and by the creation of the hope that all their indebtedness would be removed on the basis of long-term loans. The supervisor of rural reconstruction centre has been told off to this business and after three months' arduous labour, he has been able to furnish adequate details of the indebtedness of the village together with property statements and its evaluation. The debts of a village and of each debtor in that village are so intercurrent in regard to their sources that it is virtually impossible to define them under the various sub-headings furnished in the question. But there is no doubt that marriages and other social occasions are one potent cause as also growth of debt by compound interest. But the most potent cause of indebtedness is that the smaller agricultural holdings of less than 15 acres do not constitute a paying economic unit. The creditors are largely professional money-lenders. The rates charged vary from 12 to 18 per cent. The Telugu calendar is used in some cases and the English calendar in others. It is true that a large number of people who are efficient farmers are being turned into tenants on account of the enforcement of the old rates and thus losing property. The fact is that the man goes on cultivating his land without thought of repaying the debt voluntarily until the last moment and keeps to the land until he is ejected. Towards the last day of his ownership the land undoubtedly suffers.

6. Hand-spinning hand-weaving, tending of cattle, keeping a few cows and buffaloes, making small moneys from the milk and the curds and cow dung cakes, basket making, rope making are the crafts of the various craftsmen who also own agricultural land. These are the subsidiary occupations but none of these is really prosperous or is conducted on a paying scale. They only meet the domestic wants of the individual concerned and if only they are organized they may be raised to the level of true subsidiary occupations. Hand-spinning may easily be made a fruitful source of income especially to the old and decrepit and to others in time of leisure and can be trusted to bring one anna to one and a half anna a day. This need not be despised as a small addition to the family income considering the average income of the Indian to be one anna seven pies. The working capital for such enterprises must be found largely by means of special co-operative organizations in which special facilities must be afforded by the central banks by way of loans. Government must organize, as it has organized, the hand-weaving department, also the hand-spinning department and special facilities may also be afforded to fruit and vegetable growing.

6 (a). Hand-weaving is a very successful and widely prevalent as well as paying craft in this district especially after the introduction of the fly-shuttle since the year 1905. But it has been subject to great vicissitudes

on account of the uncertainties of the foreign markets to which it caters. The large market it had in lungis for Singapore was overtaken by the Japanese mills. It has, therefore, taken to supply the needs of Poona and Hyderabad women but is always tossed about by the fear that some mills may displace the industry. It has always been a very difficult thing to organize co-operative societies for weaving.

7. Co-operative banks are not allowed to deal with any indigenous or joint stock bank ordinarily. No co-operative bank is permitted to deposit its surplus moneys even temporarily with such banks without the express permission of the Registrar. Even when small amounts have been deposited by the Madras Central Urban Bank in the commercial banks of the city of Madras, express permission of the Registrar has all along been sought and obtained. The Imperial Bank is the only exception.

There are only two land mortgage banks in the district and the district can bear another 18 banks. Already there are four applications pending before the department and if only the department had been registering these primarily land mortgage banks, the others would have come in by this time nor is there any doubt that in five years the district will be covered with such land mortgage banks. If these various land mortgage banks are organized we can easily work up to Rs. 20 crores in due time. Immediately Rs. 50 lakhs may be absorbed for long-term capital in the first year and another Rs. 10 lakhs can be absorbed for short-term capital. But both the figures will be steadily worked up from year to year. It may be admitted that in this district certain competition does exist between the Kistna Co-operative Bank and the Andhra Bank although this relates only to the rates of deposits. The co-operative bank allows 2 per cent on current accounts on monthly minimum balances while the Andhra Bank allows 2½ per cent on daily balances. Yet it cannot be said that the current account of the co-operative bank is at all mean. But more than this the co-operative bank has unfailing resources of fixed deposits, namely, the railway and district board funds and the security amounts of abkari and municipal contractors. The rates on fixed deposits in the co-operative bank go up to a maximum of 5½ per cent for three years whereas the Andhra Bank allows 6½ per cent.

Reference has already been made to the necessity for classing debentures as trustee securities and that will give a great impetus to the purchase of debentures of the land mortgage banks.

11.—Indigenous banking.

In this district there are private individual Vaisya bankers who are natives of this district, Marwari bankers who are sojourners and a few Multani bankers. They do the ordinary money-lending business and discount bills. The native born banker of the district does only money-lending. The rates of interest vary from 10½ to 18 per cent compound. The extent to which these people assist in financing agriculture has already been dealt with. So far as trade is concerned the indigenous banker is chary about lending money to the indigenous trader as any other body. So far as industry is concerned only small advances are made by the merchants dealing with the particular manufactures. The amount of capital invested in money-lending may be estimated at about two crores of rupees in the district. The volume of business transacted may not be much over four crores. Their expenses are practically nil and even a banker dealing with 10 lakhs of rupees has only a clerk who is being paid only Rs. 30 per mensem. But the sowcars connive at the clerks making money from the party. It is only recently that some of the indigenous bankers are depositing some moneys in the local banks in order to keep the money in a liquid state and find an outlet during the dull season.

4. Deposit receipts are not in vogue. Promissory-notes used are of the ordinary kind. The indigenous banker is just now beginning to deduct a small commission of 5 per cent in some cases when giving loans and this must however be admitted to be very rare. It has been a practice copied from the Marwari bankers and this is always a tax only in addition to the other pre-requisites which the borrower has to give before getting the loan. Indigenous bankers obtain funds largely from small investors

to whom they pass either pro-notes or chits or mere entries are sufficient evidence in the katha. The rate of interest allowed varies from 6 to 9 per cent.

6. The rates paid by agricultural borrowers vary from 10½ to 18 per cent but generally they are above 12 per cent. There is no doubt that the cultivator will profit a good deal by the reduction of these rates of interest both in respect of standard of living as well as agricultural improvements. The only way of bringing them down is to make the co-operative movement grow intensively as well as extensively.

7. It must be admitted that there is a certain amount of prejudice against the professional banker. His interests are well protected except the uncertainties relating to the definition of penal interest.

8. Indigenous bankers would not submit to regulation of their trade unless they had advantages flowing from such interference. But the suggestion that joint stock banks may advance them moneys on easy terms and thus afford them special advantages may not be acceptable, as with the growth of banks, the indigenous bankers find money glutting in their own coffers. Therefore either we must prohibit private money-lending or allow it to languish by the organized efforts of joint-stock and co-operative banking on an intensive scale. The latter is the only remedy now thinkable to the evils of private money-lending.

9. Indigenous bankers would easily be able to make profits at 9 per cent after leaving adequate margin for incidental losses.

They are able to meet all the demands in the country more or less. They are not obliged to refuse any appreciable percentage of loans but during the off-season some money surpluses in their hands, and at present there is no means of linking this surplus, nor can we think of any means which will eliminate surplusing in the months of August and September and a portion of July and October. But if banks would not limit all the terms of their loans only to six months as is now the case and if, on the contrary, basing the figure on three years' deposit, they could give out a certain sum for two or three years, this glutting could be minimized.

At present joint stock banks lend only for six months while co-operative banks give for twelve months except where they give five years' loans. In between, there must be three years' loans serving not the traders or the producers, but the consumer class.

III.—Investment habit and attraction of capital.

1. So far as this district is concerned, besides the co-operative central banks of which there are two and besides the Imperial Bank and its organizations there are three urban banks in Masulipatam and one in Gudur, one in Beswada, besides various other co-operative urban societies which also receive deposits. There are also two joint stock banks, the Andhra Bank having a working capital of Rs. 7 lakhs, the second being newly started, but intended to serve the small borrower and encourage home safe deposits.

These various banks receive in addition to fixed deposits, savings and recurring deposits. The public are provided with fairly full facilities for the investment of savings. Besides those enumerated above, there are two land mortgage banks in the district which offer debentures at 7 per cent. People are in the habit of locking up a portion of their money in silver and gold as the reserve fund of their families which serves them in good stead during all emergencies. The habit is universal.

2. Postal cash certificates are not very popular. In fact, their existence is not very widely known. But most of the savings in India are not meant to be locked up for a long time, but are meant to be drawn upon during times of need. Five years is too long a period for people to wait for the realization of their money in cash. Treasury bills are undoubtedly in competition with joint-stock banks. The high rates of interest offered act as a check on deposits flowing to banks in an indirect manner. While deposit rates of banks rule at 4½ per cent, the tendency for the investment public will always be to look for a higher rate of interest especially when the security offered is that of the whole Government itself.

3. The transactions of sale and purchase of Government promissory notes in the district are so limited that we cannot discuss the question with any sense of reality. It is not likely that they will ever become popular with small investors. The people of the district where they have a little of savings generally lock it up in some jewellery or borrow money and purchase land.

4. The abolition of stamp duty on cheques has fostered the cheque habit. The upper middle-class people used cheques and the payment of salaries of over Rs. 100 by cheques will certainly promote the cheque habit. The use of vernacular script in cheques is already in vogue in this district and is very popular.

5. It is true the habit is of slow growth, but its rate can be accelerated by establishment of more banks. The causes are obvious. A thing which is out of sight is out of mind, but when a bank is in sight and when a man is there to manage it, one is tempted to put one's money in the bank. Propaganda would be useful and necessary in fostering savings not only in Government securities but also in joint stock banks.

6. The establishment of more banks is possible only if the Imperial Bank is precluded from competing actively in the open market and if it gives special concessions to banks. As has been already indicated, the Imperial Bank should be relegated to the position of a mere bankers' bank dealing directly with constituents when there are no other banks available.

The opening of new branches of the Imperial Bank has no doubt been of help to the people in this district though it has not been as beneficial as one could expect. The chief aim of the bank has all along been to invest moneys brought into the district from elsewhere and no efforts have been made to cultivate the banking habit and attract deposits. It surrounds itself with a certain dignity and aloofness which do not make it popular. Where the agent is a European, there is very little of personal contact between the agent and the bank's constituents, which is so very necessary for the development of banking. This is also the reason why cheques have not been as popular as they ought to be though the trouble and inordinate delay in cashing them is the main cause.

Under these circumstances, if other banks who have to attract deposits and win the confidence of the people, came into existence, the gap that now lies between the Imperial Bank and the mercantile community will be usefully filled up and banking will easily develop. As the opening of new branches has not achieved any very tangible results, the existing Indian joint stock banks should be encouraged and helped in opening new branches and, at the same time, wherever possible, new banks may be started with the definite assurance that the Imperial Bank will be restricted from operating in the same field.

Supplementary questions.

1. There is no need to create a new type of instrument. The present "Darsana hundis" are easily negotiable and pass from hand to hand without any trouble. The only difficulty is the recent ruling in the Bombay High Court curtailing the negotiable nature of bearer cheques, and I would recommend legislation retaining them as instruments payable to bearer, only notwithstanding any restrictive endorsements that might be made on their back.

2. It is desirable to afford protection to "Darsana hundis" as is done to that provided by crossing in the case of cheques because they will thus be linked to banks and, though it might cause some inconvenience in the beginning, it will induce people to go to banks. This will encourage the banking habit and popularize banks.

Written evidence of the Indian Chamber of Commerce, Tuticorin.

I.—Agricultural credit and credit facilities for small industries.

Agriculturists in want of money for expenses, are financed by professional money-lenders, merchants and dealers. Co-operative banks are established at centres lying near Tinnevely and Tuticorin. Farmers who live close by, raise loans on the security of their lands. The interest charged by the co-operative banks is 9 per cent whereas professional money-lenders demand 18 per cent per annum. There are in the district neither land mortgage banks nor agricultural banks to provide long-term credit.

The Government is indifferent towards agriculturists in general. Neither the Imperial Bank of India nor the joint stock banks take the least trouble to finance agriculture. In marketing the produce of the land co-operative efforts are certainly full of promise. There is a real need for Government assistance in freeing agriculturists from the clutches of middlemen.

The Imperial Bank of India is inclined more towards financing trades controlled by Europeans than helping those run by Indians. The limited monetary help rendered to the people of the country is very grudgingly given and that on the mortgage of property ten times more valuable than what is financed by Europeans.

The absence of agricultural banks in rural parts and the lack of co-ordination among various credit agencies are real defects which need speedy remedy.

2. The principal crop of the district is cotton and it is generally marketed through dealers who hold a lien on the crop secured by means of money advanced to the cultivator.

Besides a reduction in the prices of foodstuffs the trade in grains has been very slack during the year and the increased exchange rate is believed to have caused the present depression. The agriculturist now parts with more of his produce in return for the same value in rupees. The manufacturer too is hard hit by the artificially increased rate of exchange. The Indian manufacturer has either to reduce prices or to cut down his cost of production if he does not prefer closing down.

II.—Indigenous banking.

Of indigenous banks in the district mention may be made of the South Indian Bank, Limited, the Nudar Bank, Limited, the Nedungadi Bank and the Mlangi Bank, besides half a dozen private firms dealing in hundis. They lend money on the mortgage of jewels, crops, hundis, deposit receipts and promissory-notes. The rates of interest allowed by them vary from 12 to 18 per cent per annum. The banks and bankers raise funds necessary to meet demands from share capital or from individual earnings. Indigenous banks are not always able to meet all demands for accommodation owing to insufficiency of their working capital. The establishment of a branch central reserve bank with a local directorate will go a long way in inspiring confidence and in utilizing local knowledge and experience. The Chamber will therefore suggest the linking up of the local banking system with a central money market and through it with the provincial capitals.

III.—Investment habit and attraction of capital.

1. All through the year large amounts of gold and silver go to the melting pot and heavy stocks of ready money are locked up without finding employment. There are practically no inducements to encourage investment of savings. That the Imperial Bank runs a savings bank is known only to a few, and the one associated with the post office does not offer all facilities for investments of savings effected by labourers.

4. Cheques are used only by the moneyed classes and the abolition of stamp-duty on cheques is an indirect way of encouraging indigenous banking.

The banking and investment habit in India is of very slow growth and its cause can be traced to the lack of confidence which can be attributed to the Government of the country successively changing hands in the past. Absence of security has confirmed the belief that capital can very easily be hoarded by melting the precious metal and making it take the shape of jewels. It therefore requires continued propaganda work to induce people to invest their savings in banks.

Written evidence of M.R.Ry. M. SURYANARAYANA SASTRI
Avargal, Secretary, The Krishna Co-operative Bank,
Limited, Masulipatam.

I.—Agricultural credit and credit facilities for small industries.

1. Agricultural needs in this area were not exactly classified as short-term and long-term, that is to say, as expenses for cultivation and expenses for permanent improvements or other special needs until the co-operative organisation stepped into the field. On the other hand when the ryots borrowed money from sowcars, they had really three accounts: at first starting on a katha, it will soon develop into a pro-note and after some time attain the dignity of a mortgage so that after some time the ryot is indebted to the sowcar on all the three accounts and these sowcars are mostly village ryots themselves keen upon land acquisition. The state of indebtedness has, therefore, become deep-rooted and many-sided so that the only way out is to sell the land one day either voluntarily or in court. After the co-operative movement has come a sharp line of demarcation has been brought into existence, between short-term loans for cultivation expenses and long term loans for other expenses. But even here the so-called long-term has been always a vacillating period being at one time ten years and now five years. There is no certainty that when a ryot takes a long-term loan, he always uses it for a permanent improvement of the land. It is impossible he uses it for buildings or marriages or for that matter even for the purchase of an adjoining piece of land.

The rates of interest outside the co-operative movement range from 9 to 18 per cent. 9 per cent being very rare and only charged on mortgage debts of very large sums such as Rs. 4,000 and Rs. 5,000. It may be said that 9 per cent does not practically exist. But there are other debts of small volume the interest upon which goes up to even 36 or or 48 per cent in which the interest is counted as so many pies per rupee per month. The period of loans is not always clearly defined, but oftentimes loans are taken on condition of being repaid during the harvest and such loans invariably carry interest in kind and that at a very high rate coming up to 25 to 30 per cent. This district is served by two co-operative central banks, one at Masulipatam and the other at Bezvada, the working capital of both of which comes to Rs. 30 lakhs of which a half would be the short-term loans given to 500 village societies. The estimate for the district, therefore, for short-term indebtedness may be put down at one crore of rupees. In Gudivada taluk eight Marwaris have given advances to the extent of 46 lakhs of rupees to the ryots of that single taluk both for agricultural and other purposes at rates ranging from 15 to 22 per cent. The complaint is that there is no such thing as a system operating in regard to the finance of agricultural credit. The ryots are simply compelled to drift for themselves and are at the mercy of the money-lenders where there are no co-operative societies. The remedy, therefore, is undoubtedly to plant a co-operative society almost in every village and even at that the needs of the ryots now supplied are not all those required to be supplied. In the first place, there is a large percentage of population who are not co-operators and in the second place, even the co-operators are serving a part only of their needs.

Only recently have two land mortgage banks been started in this district which have distributed loans to the extent of 5 lakhs of rupees and covered an area of 60 villages. The maximum borrowing power of each individual hitherto has been two and three thousand rupees and it has just been raised to three and five thousand rupees respectively. The period for which the loans are given is twenty years and the rate of interest is 9 per cent. There is no co-ordination whatever amongst the various credit agencies including Government nor is any such thing to be expected where there is no system at all. So far as the Government is concerned, they have advanced Rs. 50,000 to one of the land mortgage banks and Rs. 10,000 to another. The amount allotted to Kistna district under the Agricultural Loans Act and the Land Improvement Loans Act was last year Rs. 5,000.

and three officers exist for the distribution, the Tahsildar being permitted to give loans to the extent of Rs. 500, the Deputy Collector up to Rs. 1,000 and the Collector up to Rs. 2,000 and when each of these prepared the cases the Board called off money for Bellary where there are famine conditions. The joint-stock banks in the district, of which there is only one, do not lend money for agricultural purposes although their loans are not confined to merchants.

2. The method of marketing produce varies with the social status and class of the producer. The very poor ryot sells it on the field and gets a poor return for his produce. Often-times he is obliged to give it to his money-lender who charges exorbitant rates of interest in kind. The man who fills the next stratum in society is able perhaps to carry his produce immediately to the nearest town where he is practically under an indenture to a commission agent from whom he had already taken advances. There are a few who are able to store their produce in godowns and find money for their needs by means of loans from the Imperial Bank or the local co-operative bank. The co-operative societies have made little headway with regard to produce loans while the Imperial Bank has penetrated many of the villages.

The difficulty about the co-operative movement marketing the produce consists largely in the absence of pucca godowns and when moneys are advanced on thatched sheds and thatched "puris" the insurance rates are advanced on thatched sheds and thatched "puris" the insurance rates are this year the rate of interest has come up to 10 per cent for Imperial Bank's produce loans. The absence of Bureaus of information regarding prices and the variations in them from time to time in the hands of the ryots is a great handicap in regard to marketing of goods. Such information when made available through proper organizations to the village ryots would help them greatly in selecting the time and place for their marketing the goods. Two kinds of facilities are necessary in order to help the financing of products during the marketing. The commission agencies that now exist are always individualistic and capitalistic in outlook and they may be profitably replaced by co-operative organizations located in towns and at centres of groups of villages such as junctions of canals or railways. At present there is no such co-operative organization serving as a commission agency the object of which should be to make available the profits of its business to the original producer. Additional service may be rendered to the producer by the commercial banks organizing the construction of godowns and making advances to the ryots on the security of produce stored in them on easy terms. The banks give no such thing at present.

When a producer wishes to store paddy or a middleman wishes to do the same in addition to any that he has grown on his field, he must find some little money which is perhaps 20 per cent of the whole required as his share of investment on the purchase of the paddy intended to be stored. He requires only a credit facility for this amount at this stage. Once he gets this money, he bargains for a certain amount of produce from the commission agent on seven days' credit and in the meantime storing the produce in a godown, pledges it to the Imperial Bank or the Indian Bank and gets the remaining four-fifths of the money. With this money he pays the commission agent. Then when the time of sale comes the real difficulty arises, for the man that has stored the produce must get from an independent source the money to repay the bank debt. That is just the season when money is scarce and unless he has brought money from an independent source and repaid the bank, he cannot release his own produce. After doing it, he must sell the goods in the market and repay with the proceeds the man who has temporarily financed him. It would therefore be a greater advantage and real help to the storer if the bank itself could undertake to release the produce on payment of money by the producer to it direct. The internal trade is greatly handicapped for want of facilities of internal remittances. Whereas the Imperial Bank discounts hundies and gives facilities for internal remittances on a moderate charge ranging about 1/16th to 1/2 per cent, the same facility is not afforded to indigenous banks when they come in as intermediaries. As a matter of fact it competes fiercely with indigenous banks cutting its own rates in order to keep down its competitor. Thus it virtually puts down all indigenous banking business in regard to internal remittances. If the co-operative central banks

are utilized for purposes of internal remittance we have ready-made institutions in the country to transact business of this nature. It means really that any remittance asked for by the co-operative banks from one place to another either in the Presidency or in any other Presidency must be facilitated by the Imperial Bank for all purposes. For want of such facilities for cheap remittances indigenous banks are now obliged to take a very circuitous route for the recoveries of moneys. The Imperial Bank is admitted to be the banker's bank and it being also admitted that it is the duty of the Imperial Bank to help the smaller indigenous banks in the country as was stated by Sir Basil Blackett recently, it should be made plain that the Imperial Bank should not compete with the indigenous banks but on the other hand afford all possible facilities for internal remittances. The indigenous banks may very well be made the agents for the Imperial Bank for gathering the bills and pooling them and for this purpose, it must be prepared to divide its commissions with the former.

The duty on bills discounted at present is prohibitive and one of the reasons why they are not popular in the country and why people would like to take money on pro-notes is really this. There is no reason why the duties should not be reduced to the same proportions as on pro-notes. Of course it is not necessary to dwell upon the great advantages that will flow from the multiplication of the development of discounting of bills. There is no peculiarity in the hundis current in this part of the country. A sample hundi is herewith attached*.

3. The paddy yielding land sells on an average from Rs. 800 to Rs. 1,200 per acre. The dry land on which is grown maize, chillies and pulses sells from Rs. 400 to Rs. 800. These are the prices that rule in private negotiations. In court sales they suffer by 20 to 30 per cent while in revenue sales they suffer for want of sufficient publicity.

4. Reference has already been made to the existence of two land mortgage banks in this district. There are no particular impediments to the mortgage of lands. One of them deals with Government villages and the other deals mostly with zamindari villages. The difficulties in regard to the latter are that no valid title-deeds exist in order to prove the rights of owners except where a record of rights exists. In the zamindari areas not only has the survey not been accepted by the zamindar but even the exchange of pattas and muchalikas have not been in vogue for decades so that it is almost impossible to get an encumbrance certificate from the Registrar's Office relating to the rights in these properties. It is a great pity that there is no record of rights in the Government villages in this Presidency and although the Madras Government had made enquiries and Mr. Smith, the Registrar-General at one time, assured the Government that he could conduct a record of rights in this Presidency, yet no steps are taken. Unless this is done land mortgage banks cannot be organized on a liberal scale. Even the location of one Deputy Registrar for the eleven districts and one Assistant Registrar for each district cannot help in determining the record of rights though it may help greatly in determining the values of lands.

(b) Simplification of the process of foreclosure and sale by the land mortgage bank in the event of non-payment will undoubtedly facilitate by enabling it to bring up the properties mortgaged for sale without having to pass through the process of execution in law courts. This will alone make the land mortgage bank a real success in the country. The funds of the land mortgage bank may well be obtained mainly from debenture bonds and even the funds from central institutions must arise only from that source. Deposits might however be taken for short terms in order to enable the banks to disburse interest periodically and regularly, but it must bear a very small proportion to the total working capital. It has already been laid down by the Royal Agricultural Commission that the interest on debenture bonds should be guaranteed by Government. It is easy for Government to secure itself against unnecessary loss by appointing appraisement officers of high status not lower than that of a Deputy Collector whose duty it is to evaluate land and watch the ups and downs in the prices of lands. Debenture bonds may well bear 6 per cent interest for a 20 years term and money may be made available to the ryot at 8 per cent. Debentures must be accepted as authorized investments under the Trust Act either by

amending the Trust Act or by enacting a rule by the High Court. It is also necessary to permit short credits being given on the security of debentures and advances by the Imperial Bank against the same.

5. One village has been certified, namely, Kowtaram, with a view to ascertaining all of its indebtedness. Confidence has been secured in the bona fides of the enquiry and by the creation of the hope that all their indebtedness would be removed on the basis of long-term loans. The supervisor of the rural reconstruction centre has been told off to this business and after three months of arduous labour, he has been able to furnish adequate details of the indebtedness of the village together with property statement and its evaluation. Details of this statement are furnished. The debts of a village and of each debtor in that village are so inter-current in regard to their sources that it is virtually impossible to define them under the various sub-headings furnished in the question. But there is no doubt that marriages and other social occasions are one potent cause, as also growth of debt by compound interest. But the most potent cause of indebtedness is that the smaller agricultural holdings of less than 15 acres do not constitute a paying economic unit. The creditors are largely professional money-lenders. The rates charged vary from 12 to 18 per cent. The Telugu calendar is used in some cases and the English calendar in others. It is true that a large number of people who are efficient farmers are being turned into tenants on account of the enforcement of the old debts and thus losing property. The fact is that the man goes on cultivating his land without thought of repaying the debt voluntarily until the last moment and keeps to the land until he is ejected. Towards the last days of his ownership the land undoubtedly suffers.

6. Hand-spinning, hand-weaving, tending of cattle, keeping a few cows and buffaloes, making small moneys from the milk and the curds and cowdung cakes, basket-making and rope-making are the crafts of the various craftsmen who also own agricultural land. These are the subsidiary occupations but none of these is really prosperous or is conducted on a paying scale. They only meet the domestic wants of the individuals concerned and if only they are organized they may be raised to the level of true subsidiary occupations. Hand-spinning may easily be made a fruitful source of income, especially to the old and decrepit and to others in times of leisure and can be trusted to bring one anna to one and a half annas a day. This need not be despised as a small addition to the family income considering the average income of the Indian to be one anna seven pies. The working capital for such enterprises must be found largely by means of special co-operative organizations to which special facilities must be afforded by the central banks by way of loans. Government must organize, as it has organized hand-weaving department, also the hand-spinning department and special facilities may also be afforded to fruit and vegetable growing.

6. (a) Hand-weaving is a very successful and widely prevalent as well as paying craft in this district, especially after the introduction of the fly-shuttle since the year 1905. But it has been subject to great vicissitudes on account of the uncertainties of the foreign markets to which it caters. The large market it had in Lungis for Singapore was overtaken by the Japanese mills. It has, therefore, taken to supply the needs of Poona and Hyderabad women but is always tossed about by the fear that some mills may displace the industry. It has always been a very difficult thing to organize co-operative societies for weaving.

7. Co-operative banks are not allowed to deal with any indigenous or joint-stock banks ordinarily. No co-operative bank is permitted to deposit its surplus moneys even temporarily with such banks without the express permission of the Registrar. Even when small amounts have been deposited by the Madras Central Urban Bank in the Commercial Banks of the City of Madras, express permission of the Registrar has all along been sought and obtained. The Imperial Bank is the only exception. It has given an overdraft of about 56 lakhs of rupees to the movement in the Presidency on the whole. It has imposed the restriction that the short-term loans issued by the central banks should be such as will cover the overdraft the central banks enjoyed and these short-term loans are specifically defined as twelve months loans and under. Every day the Imperial Bank adds a new condition. For the present long-term promissory notes of central banks are being accepted as collateral securities for the overdraft allowed by the Imperial Bank but a recent condition has been that no collateral security should have any overdues thereon. Such a sharp definition in regard to

the use of the overdraft money for long and short-term loans and such small pin-pricks as regards overdrafts and the necessity to change the collateral securities every three years although they may be running for six years, being registered pro-notes, all these operate as impediments to the free financing by the central banks to the co-operative societies. Recently the Imperial Bank sent round a circular to all co-operative banks insisting that Government promissory-notes and not societies' pro-notes should be pledged as collateral securities for the overdrafts granted to them. After all, the total amount of overdraft allowed by the Imperial Bank including the 17 lakhs allowed to the Madras Central Urban Bank is not a fraction of the overdraft allowed to one single company and the overdraft to the co-operative movement is secured by collateral securities relating to the unlimited liability of 14,000 societies in the Presidency having at the back of them property worth not less than Rs. 200 crores. No special difficulties exist in regard to financing short-term capital but in regard to long-term the period has been quite uncertain and it has been recently reduced from ten years to five years. Although the by-laws allow ten years still the banks in Kistna have not allowed more than six to eight years ordinarily. Even this is made impossible now by the compulsion of the department which has insisted upon the amendment of the by-laws limiting the term to five years. Of course, the department possesses disciplinary powers over these banks and always threatens capital punishment unless they change the by-law. But it may be said that five years' term is neither this way nor that way considering the great hardships and uncertainties to which the agriculturist is exposed, namely, vicissitudes of weather, drought and floods, diseases of cattle, pests of crops and added to these building cattle-sheds and houses and expenses of marriages and other social ceremonies. The cultivator even if he is able to spare any little thing from out of his agriculture is able to balance his income and expenditure barely. It means that a cultivator can only balance his income and expenditure over a period of five years. Five years really is the unit of time over which a cultivator can balance his accounts. Therefore, a loan given for five years is not a long-term loan. No doubt a true long-term loan is for twenty years and loans of that period must be found only through land mortgage banks but it must be possible for central banks to give eight to ten years' loans effectively to meet these uncertain conditions enumerated. But we recognize that the same rule should not be prescribed for every district in the Presidency. A district like Kistna ought to be treated in a manner consistent with its own discharge of co-operative responsibilities.

There are only two land mortgage banks in the district and the district can bear another eighteen banks. Already there are four applications pending before the department and if only the department had been registering these primarily land mortgage banks the others would have come in by this time nor is there any doubt that in five years the district will be covered with such land mortgage banks. If these various land mortgage banks are organized we can easily work up to twenty crores in due time. Immediately Rs. 50 lakhs may be absorbed for long-term capital in the first year and another Rs. 10 lakhs can be absorbed for short-term capital. But both the figures will be steadily worked up from year to year. It may be admitted that in this district certain competition does exist between the Kistna Co-operative Bank and the Andhra Bank although this relates only to the rates of deposit. The co-operative bank allows 2 per cent on current accounts on monthly minimum balances while the Andhra bank allows 2½ per cent on daily balances. Yet it cannot be said that the current account of the co-operative bank is at all mean. But, more than this, the co-operative bank has unfailing resources of fixed deposits, namely, the railway and district board funds and the security amounts of abkari and municipal contracts. The rates on fixed deposits in the co-operative bank go up to a maximum of 5½ per cent for three years whereas the Andhra bank allows 6½ per cent.

Reference has already been made to the necessity for classing debentures as trustee securities and that will give a great impetus to the purchase of debentures of the land mortgage banks.

II.—Indigenous banking.

In this district there are private individual Vaisya bankers who are natives of this district, Marwari bankers who are sojourners and a few Multani bankers. They do the ordinary money-lending business

and discount bills. The native born banker of the district does only money-lending. The rates of interest vary from 10½ per cent to 18 per cent compound. The extent to which these people assist in financing agriculture has already been dealt with. So far as trade is concerned the indigenous banker is chary about lending money to the indigenous trader as any other body. So far as industry is concerned only small advances are made by the merchants dealing with the particular manufactures. The amount of capital invested in money-lending may be estimated about two crores in the district. The volume of business transacted may not be much over four crores. Their expenses are practically nil and even a banker dealing with 10 lakhs of rupees has only a clerk who is being paid only Rs. 30 per mensem. But the Sahukars connive at the clerks making money from the party. It is only recently that some of the indigenous bankers are depositing some moneys in the local banks in order to keep the money in a liquid state and find an outlet during the dull season.

4. A sample hundi is attached * herewith. Deposit receipts are not in vogue. Promissory notes used are of the ordinary kind. The indigenous banker is just now beginning to deduct a small commission of 5 per cent in some cases when giving loans and this must however be admitted to be very rare. It has been a practice copied from the Marwari bankers and this is always a tax only in addition to the other pre-requisites which the borrower has to give before getting the loan. Indigenous bankers obtain funds largely from small investors to whom they pass either pro-notes or chits or mere entries are sufficient evidence in the Katha. The rate of interest allowed varies from 6 to 9 per cent.

6. The rates paid by agricultural borrowers vary from 10½ per cent to 18 per cent but generally they are above 12 per cent. There is no doubt that the cultivator will profit a good deal by the reduction of these rates of interest both in respect of the standard of living as well as the agricultural improvements. The only way of bringing them down is to make the co-operative movement grow intensively as well as extensively.

7. It must be admitted that there is a certain amount of prejudice against the professional banker. His interests are well protected except the uncertainties relating to the definition of penal interest.

8. Indigenous bankers would not submit to regulation of their trade unless they had advantages flowing from such interference. But the suggestion that joint stock banks may advance them monies on easy terms and thus afford them special advantages, may not be acceptable, as with the growth of banks, the indigenous bankers find money glutting in their own coffers. Therefore either we must prohibit private money-lending or allow it to languish by the organized efforts of joint stock and co-operative banking on an intensive scale. The latter is the only remedy, now thinkable, to the evils of private money-lending.

9. Indigenous bankers would easily be able to make profits at 9 per cent after leaving an adequate margin for incidental losses.

They are able to meet all the demands in the country more or less. They are not obliged to refuse any appreciable percentage of loans but during the off season some money surpluses in their hands, and at present there is no means of linking this surplus, nor can we think of any means which will eliminate surplusing in the month of August and September and a portion of July and October. But if banks would not limit the term of their loans only to six months as is now the case, if on the contrary, basing the figure on three years' deposits they could give out a certain sum for 2 or 3 years. This glutting could be minimized.

At present joint stock banks lend only for six months, while co-operative banks give for twelve months, except where they give five-year loans. In between, there must be three years' loans serving not the traders or the producers, but the consumer class.

III.—Investment habit and attraction of capital.

So far as this district is concerned, besides the two co-operative central banks of which there are two and besides the Imperial Bank and its organisations, there are three urban banks in Masulipatam and one in Bezwada, besides various other co-operative urban societies which also

receive deposits. There are also two joint stock banks, the Andhra Bank having a working capital of seven lakhs, the second being newly started, but intended to serve the small borrower and encourage home safe deposits. These various banks receive in addition to fixed deposits, savings and recurring deposits. The public are provided with fairly full facilities for the investment of savings. Besides those enumerated above there are two land mortgage banks in the district which offer debentures at 7 per cent. People are in the habit of locking up a portion of their money in silver and gold as the reserve fund of their families which serves them in good stead during all emergencies. The habit is universal.

2. Postal cash certificates are not very popular. In fact their existence is not very widely known. But most of the savings in India are not meant to be locked up for a long time, but are meant to be drawn upon during times of need. Five years is too long a period for people to wait for realization of their money in cash.

Treasury bills are undoubtedly a competition with joint stock banks. The high rates of interest offered act as a check on deposits flowing to banks in an indirect manner. While deposit rates of interest of banks rule at 4½ per cent the tendency for the investing public will always be to look for a higher rate of interest especially when the security offered is that of the whole Government itself.

3. The transactions of sale and purchase of Government promissory notes in the district are so limited that we cannot discuss the question with any sense of reality. It is not likely that they will ever become popular with small investors. The people of the district where they have a little of savings generally lock it up in some jewellery or borrow money and purchase land.

4. The abolition of stamp duty on cheques has fostered the cheque habit. The upper middle class people use cheques and the payment of salaries of over Rs. 100 by cheques will certainly promote the cheque habit. The use of vernacular script in cheques is already in vogue in this district and is very popular.

5. It is true the habit is of slow growth, but its rate can be accelerated by establishment of more banks. The causes are obvious. A thing which is out of sight is out of mind; but when a bank is in sight and when a man is there to manage it one is tempted to put one's money in the bank. Propaganda would be useful and necessary in fostering savings not only in Government securities but also in joint stock banks.

Answer to supplementary questions.

It is unnecessary to create any law as suggested.

**Written evidence of H. WADDINGTON, Esq., Secretary,
Chamber of Commerce, Madras.**

No attempt is made in the following note to cover the ground of the questionnaire in detail. Conditions of credit and credit facilities differ so greatly from district to district throughout the Presidency that it has been considered advisable to deal with the matter in a general way.

1.—Agricultural credit and credit facilities for small industries.

1. Speaking broadly, agriculturists may be divided into three classes—

- (1) The landed proprietor.
- (2) The smaller ryot owning his own lands.
- (3) The tenant ryot working lands on lease.

Of these, No. 1 may require some financial assistance for expenses during cultivation (transplanting, harvesting and for kists) and to assist smaller men to whom he has leased out portions of his lands. No. 2 is practically always a borrower during the periods of cultivation and kist collection. No. 3 also requires assistance and this he usually receives from his landlord.

The method of borrowing depends on the position and standing of the borrowers. The smaller men look to the village money-lenders, to the proprietors of mills, ginning factories and such like and to commission agents. In the latter two cases the borrowings are frequently against contracts to deliver stocks when crops are harvested. The lenders are usually men of some substance who in turn are able to finance themselves by borrowings from banks. Rates, of necessity, vary greatly according to the means and reputation of the borrowers and the nature of the security they have to offer.

Advances to agriculturists granted for seasonal purposes should run off with the harvesting and sale of crops. Loans for improvements are not likely to be repaid except by instalments spread over a period. Trouble arises in both cases when the money borrowed, or a considerable part of it is frittered away on ceremonies, social and otherwise, as not infrequently happens.

2. Paddy, rice and food grains for local consumption find their way from the growers, usually through commission agents, to the mills and from there to the larger town merchants who are the distributors to the bazaar retailers through whom the goods reach the consumers. The mills and larger merchants get their finance from banks either directly or through some channel receiving its supplies from banks.

Crops such as cotton and groundnuts are extensively bought for export by the large exporting firms operating in the Presidency. These firms have their own buyers or buying agencies throughout the districts and through these agencies they are in direct touch with the growers or at any rate with the small commission agents who work in the districts. Movement of funds to the buying centres is generally arranged through the Government treasuries or the Imperial Bank of India. Goods purchased for export are railed from the buying centres to the port of shipment where the export bills are bought by the exchange banks.

Crops handled at buying centres by private dealers are railed to their agents at the ports or larger towns where they are disposed of, the agents are drawn upon for the value of the consignment and the relative drafts with rail receipts covering the goods are discounted with banks who in turn present to the drawer and give delivery of the rail receipt on obtaining payment.

3. Many factors have to be considered in valuing land and it is not possible in a note such as this to give the values of land for different crops throughout the Presidency. In the Kistna delta, for instance, good paddy land, easily accessible, and receiving regular supplies of water under the Public Works Irrigation Schemes, may fetch Rs. 2,000 or Rs. 3,000 an acre tank fed land depending on rain supplies would be worth much less and dry land worth less still. Forced sale prices are practically always less favourable to the seller than land sold under private negotiation.

What may be termed the land hunger owing to the status which land owning is considered to give is another factor affecting land prices. Keen competition on the part of investors in land may force the price of attractive plots of good wet land to a figure well over Rs. 3,000 per acre which gives a return on the outlay much lower than that to be obtained from investment in Government securities.

4. On the West Coast the operation of the Marumakkatayam Law acts as an impediment to the mortgaging of lands held subject to that law and there is no doubt also that the question of minors' rights in family property frequently makes the raising of money by mortgage difficult where such rights exist.

6. Rice-milling, cotton ginning and groundnut decorticating in small factories is carried on extensively in several districts, probably to an extent that is hardly realized except by those who have actual knowledge of the districts, but detailed particulars of the number and output of such factories are not available to us. Many of these concerns are directly financed by banks.

II.—Indigenous banking.

The Chettiyar community are much the largest of the indigenous bankers in this Presidency. The indigenous banks and bankers play a useful part in financing trade as they are able to reach the small villages in outlying districts which the larger banks operating from the more important centres have not opportunities readily to do.

III.—Investment habit and attraction of capital.

1. The existing banking resources in the Presidency are provided by —

- (1) Imperial Bank of India.
- (2) Exchange banks.
- (3) Indigenous banks (under this heading is included the Chettiyar community).
- (4) Co-operative banks.
- (5) Marwari and Multani money-lenders.
- (6) Village money-lender.

The public are provided with full facilities for investment. The extension of the existing facilities to the smaller interior places could probably best be carried out by an extension of the co-operative movement.

Regarding investment in silver and gold, this, mainly in the form of investment in gold jewellery, is an ingrained habit of the people. Such jewellery is looked upon as a reserve and it is used to borrow against in times of difficulty.

2. More might be done to popularise Postal Cash Certificates by advertisements in the district vernacular papers. The terms offered must follow the general money rates ruling in the country.

Savings banks offer very useful facilities to the smaller investor. The Post Office, the Imperial Bank of India and indigenous banks, offer these facilities at their offices in Madras and elsewhere throughout the Presidency. Salaried employees, small traders, the more highly-paid workmen are classes making liberal use of savings banks. The habit has not extended itself in this Presidency to members of the ryot class and in this direction possibly some good could be done by advertisement bringing the advantages of a savings bank account before them.

3. Banks offer all facilities to investors in Government securities. Here again the ryot, especially the small man, is very rarely an investor.

Money received from sale of produce and not immediately required for the purposes of the seller's own business is usually lent out by him to other traders. As already stated farmers frequently lend to fellow agriculturists. In all such cases the terms depend on—

- (a) The general rate ruling,
- (b) the security offered,
- (c) the borrower's urgency,
- (d) his means, standing and reputation.

5. The banking and investment habit in India is of slow growth, but it must be remembered that the great mass of the people are very poor, living almost from hand to mouth, and their custom has always been to put any little savings that they may accumulate into something that they can see (a piece of jewellery) and on which they can at once borrow in the bazaar in hard times. Among the well-to-do classes progress is being made and with the spread of knowledge the pace should accelerate as time goes on.

Written evidence of Mr. T. N. KRISHNASWAMI, Mercantile Bank Buildings, Madras.

The investment habit in South India.

I mean by the term 'investment habit', the habit on the part of the people having surplus money investing such savings in marketable securities—securities such as loans and bonds of the various Governments, debentures, preference and ordinary shares of joint-stock companies which are easily negotiable through stock brokers or through stock exchanges. This habit is confined to a small circle in South India.

Till recent times, the indigenous banking firms of Chettis or of hundi merchants of Tinnevely have been commanding immense credit in the market. Investors preferred to leave their moneys on deposit with these bankers because of their high reputation and secondly of the liberal terms offered by them. The moneys were generally taken by the indigenous bankers payable 'on demand'. Such moneys were earning as much as 9 per cent. However, during the past five years there have been two crises amongst Nattukottai Chetti firms. These have led to failures of some well-known banking firms. Consequently, the public have lost confidence in the stability of these firms. This has led to the withdrawal of large deposits from other indigenous bankers as well. These moneys have found their way into two channels. Large depositors have preferred to put their savings on fixed deposits with reputable banks. The middle-class and small investor in his anxiety to make his savings earn as much as they were doing while on deposit with indigenous bankers has turned his attention to stock exchange securities. During the past few years this tendency has become pronounced. Even so, the habit is confined to a small portion of the investing public. The reasons for this lack of popularity are, primarily, the extreme conservatism of the South Indian investor, his general suspicion of joint-stock companies owing to their frequent failures and the normal fluctuations to which the stock exchange securities are liable. However, the spread of the knowledge of the principles of economics and the difficulty of obtaining a reasonable rate of interest on private investments such as mortgages of real properties, loans and promissory notes consistent with the safety of capital have compelled investors to consider the desirability of investing their savings in stock exchange securities. It is desirable that this habit should spread. At present, capital in this Presidency is frozen. A large body of people who have savings still invest their moneys through private sources. The moneys are lent on the security of real estates such as houses, agricultural lands, etc., to private people. In most instances, these loans are not taken for any productive purposes; consequently, the borrowers find it difficult to repay the amount at the stated periods. The investor is then compelled to foreclose and from a lender he becomes the owner of a property. These borrowers for unproductive purposes offer high rates of interest in order to tempt capital. Hence, the capital which will otherwise find its way in the investment of the shares of joint-stock concerns which are engaged in productive industries now remains frozen in the hands of men who use up the moneys in other ways.

The habit of investing in negotiable securities can be popularized only by propaganda, by advertising the advantages of such securities over private investments. These will have to be undertaken by both the Government and by an association of joint-stock companies.

Government now advertise the merits of the postal cash certificates in certain selected periodicals. The select journals are not always periodicals commanding the widest circulation. The advertisements should be given to papers commanding the widest circulation as they are primarily intended to appeal to the small investors. Besides advertisement campaigns with regard to the postal cash certificates, Government can usefully undertake a general campaign of advertising the Government securities.

At present, the members of your Committee are aware that there is a publication of the Government of India outlining the facilities offered to holders of Government securities, with regard to payment of interest, etc. What I would suggest is that the Government should advertise each advantage separately in one particular issue of a newspaper. The advertisement should appear in the issues of all newspapers on the same day preferably on Saturday as the Sunday following gives people ample time to go through the newspapers, rather more thoroughly than during the other days. It may be within the experience of the members of your committee that the newspapers, English and vernacular, are a good medium of information to the educated South Indian. The advantages of gilt-edged investments may be occasionally summarized in one advertisement and published. The co-operation of reputable brokers and banks in the various cities may be invited and their names may be added on as mediums through which information can be obtained and sales and purchases can be effected.

At the present moment, both the postal cash certificates and the Government of India securities are, I may perhaps say, competing with banks. For instance, the rates offered for fixed deposits for one or two years by the banks do not exceed 5 per cent. This interest of 5 per cent is subject to income-tax, whereas it is easily possible to obtain 5 per cent tax free on Government securities. As an example, we may cite the 6 per cent Government of India bonds redeemable on 15th August next year. These are selling at a premium of eight annas giving to the investor a return of slightly less than 5½ per cent tax free, a return unobtainable on other fixed deposits with first-class banks or even on some joint-stock company preference shares. Even the 5 per cent long dated tax free loan redeemable at the earliest in 1945 is selling only at rupee one premium giving a return of nearly 5 per cent free of tax. These low prices are partly due to the high bank rate and the entire lack of confidence on the part of the large scale investors in Government securities. I mean by large scale investors, big banking institutions, insurance companies, who have been the largest subscribers to the Government of India loans till some months back. The Government of India have lost the confidence of these big investors owing to their unsystematic borrowing policy and their inability to gauge the market conditions. I seriously apprehend that unless early measures are taken to restore this confidence, there will be very considerable and almost ruinous dislocation of the finances of this country. I do not, of course, permit myself to travel beyond the scope of the questionnaire into the realm of the financial policy of the Government of India. That is obviously a matter which brings on other important considerations, but I feel justified in saying that the Government will not be well-advised in pursuing a policy, the result of which is a steady and perceptible depreciation of its securities, and in the case of loans recently floated, their utter failure to attract a satisfactory subscription. There may be excellent reasons, obvious to the economist or the trained financier, why the loans failed and the securities depreciated; but to the lay investing public, these facts only convey one meaning and that is that the Government securities, gilt-edged as they are called, are as investments, only second best. It is within our experience, that even educated men, some of them holding responsible positions in the Government service or the legal and the other professions deliberately prefer either private lending or fixed deposits with banks, though the latter give a lower return than gilt-edged investments. These signs are clearly unhealthy if not dangerous and I would urge a systematic enquiry into the principles and policy of borrowing, and capital expenditure of the Government of India and the local Governments with a view to ordaining the same in accordance with sound and far-sighted advice.

The failure of the loan floated in 1927 forced the Government of India to float treasury bills. The treasury bills which were originally intended as a temporary measure have become a permanent feature of Indian finance. There can be no objection to the Government issuing treasury bills during the slack season when they will be most welcome. For instance, till a few weeks back the Government were able to obtain three months' bills at about 3 per cent per annum—a very cheap rate compared with over 5½ per cent paid by them now for three months' bills and with about the same rate on six and twelve months' bills floated sometime back. The latter class of bills is entirely unsuited to Indian conditions as money

is a seasonal demand in India. The first half of the year is generally the busy season and the latter half the slack season. Of course, sometimes owing to the earlier movements of crop, the busy season sets in about November. Government by thus floating six months' and twelve months' bills in about September seriously hampers the operations of the banks and withdraws large sums which would otherwise go to finance legitimate trade at cheap rates of interest. Banks are generally buyers of three months' treasury bills if floated in about August-September. They tender for six months' bills only as a necessary evil, to invest large cash balances. The floatation of six and twelve months' treasury bills have also been detrimental in one other way to the banks. They have induced certain large class of private as well as institutional investors to go in for these bills. The attractions about these bills are twofold. In the first place they give a higher yield than Government securities and there is no risk of capital depreciation. It is therefore necessary for Government to lower the rates of interest on postal cash certificates and treasury bills whenever possible. The rates on postal cash certificates can be reduced almost immediately. Treasury bills have become a necessity to the Government of India and the only way of reducing the rate of interest paid on it is by floating them during periods of slack demand for money and giving a currency of three to four months. If these two things are done, the disparity between the yields obtainable on treasury bills and Government securities will disappear. The Government securities will once again come into favour. It is the confidence of investors in Government securities that Government should look to as it is on the basis of such confidence that Government can build a good credit. Secondly by lowering the rate of interest both on postal cash certificates and treasury bills, the competition with joint-stock banks will disappear. The deposits with banks are likely to grow in volume and these deposits will naturally be utilized both in the interests of trade and in the interests of the Government. Banks are likely to tender at a cheap rate for treasury bills during periods of slack money while during periods of tight money the trade will benefit by banks advancing more generously.

The borrowing policy of the Government of India should also be systematized in order to regain the confidence of big investors. For instance, 4 per cent Government of India 1960/70 loan which was floated in 1926 at Rs. 88 per cent to-day sells at Rs. 77 showing a depreciation of approximately 13 per cent. Even the new Government of India 1939/44 loan to which a semi-sinking fund is attached is quoted at a discount of rupee one in the market. The Government can regain the confidence of the investors only by not borrowing further in the market. This will mean the abandonment, at any rate, temporarily of the big construction programme with regard to railways. Secondly, the Finance Member of the Government of India should inaugurate a bold policy of creating a sinking fund to operate in respect of all long-dated loans. If this is done, it is very unlikely that the depreciation on Government securities will be heavy. There will always be minor fluctuations depending upon the fluctuating conditions of the money market.

The habit of investment in stock exchange securities is very widely prevalent in the other big Presidencies of Bombay and Bengal. In fact it has become an evil in those Presidencies according to some authorities owing to excessive speculation. There, even without any English education, the average man understands what a share, a debenture, etc., means and is able to put through business through the stock exchanges.

In South India, however, there is no regular stock exchange. One was started shortly after the Great War in the boom days of company finance. The institution is moribund now. It is unlikely that this can be revived now. For the creation of a stock exchange, two conditions are necessary. A number of companies whose shares can be actively dealt with by a fair number of broking firms. The number of companies operating in South India is so small that they can be counted on one's fingers. This has not naturally led to the establishment of many broking firms in the city. The propaganda to popularize securities of joint-stock companies is undertaken in many enlightened countries such as England, America, etc., by the various stock exchanges. Unfortunately, there is no active stock exchange in this Presidency as pointed out above. Reputable firms of brokers do not usually undertake advertisement. The alternative

is therefore for the various chambers of commerce and joint-stock companies to advertise the merits of investment in the shares, debentures, etc., of joint-stock companies. Individual advertisements by particular companies will carry, comparatively, little weight. It is better that there should be an advertisement on behalf of all joint-stock companies established in South India.

The facilities that are available to investors in stock exchange securities are very meagre. The Government should provide greater facilities. At present even in places where there are branches of the Imperial Bank, securities cannot be bought or sold at short notice. The Government should impress upon the Imperial Bank the necessity of employing men with knowledge of stock exchange transactions on their staff. At least there should be one in every branch to give advice to their constituents at least with regard to Government securities. At present, the system that is prevalent is that a buyer or seller should give his instructions to the branch which passes on such instructions to the local head office which in turn effects the business through a broker. Branches should be allowed to deal direct with the brokers and also to buy and sell for the banks on the spot. This can be done by the local head office telegraphing every morning, the opening prices for purchase and sales and by the employment of a man with stock exchange knowledge as mentioned above on the staff of every branch. Secondly, there are many investors who will come into the field if the commission charged by the banks is reduced. At the moment, brokers charge anything from $1/32$ per cent to 2 annas per cent. In fact, for amounts over Rs. 10,000 only $1/16$ per cent is allowed while for large sums such as for one lakh or two lakhs business is often times done at $1/32$ per cent. The banks which place this business take anything from $\frac{1}{2}$ to 1 per cent. Comparatively, this bank commission proves too heavy. It appears to us desirable that banks should not charge any commission at all but allow brokers to charge a brokerage of $\frac{1}{4}$ per cent in the case of business exceeding Rs. 10,000 and quarter per cent for lesser amounts. This brokerage can be divided between the banker and the broker. This is the custom that is prevalent in London. The custom of charging a separate commission is peculiar to India.

As yet, the investment habit, in the limited sense in which I have used the expression in this note, is undeveloped, and confined to a small circle of highly intelligent and well-to-do persons in this Presidency, not to mention institutional investors. But it is quite clear that there is a huge mass of potential capital which awaits investment, and if that capital could be attracted to these channels, the results would greatly contribute to financial stability of our Government and to national productivity and prosperity. At present, however, the bulk of the capital in the hands of a large number of fairly prosperous middle class men is being absorbed by indigenous banks whose loan policy is not inspired by national considerations, but merely by the interest offered and the securities given. But if, with greater industrial and commercial enterprise in this country, more joint-stock companies have to be floated, they will have to be financed exactly by that class of prudent men who, whilst investing in the company, will also take enough personal interest in it to see that it is not speedily dissolved. Every joint-stock company that has to be wound up, sets an example and a lesson to the small investor, who is already so shy, and scares him from the very thought of cultivating the investment habit. These factors have all to be carefully considered and a general policy formulated for exciting interest among the people in the cultivation of the investment habit. I have ventured to offer a few suggestions in this behalf, to which, I hope your Committee will give its careful consideration.

Written evidence of M.R.Ry. C. G. NATARAJA MUDALIYAR
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I.—Agricultural credit and credit facilities for small industries.

1. (a) There are two kinds of lands, wet and dry. Wet lands get perennial supply of water either from rivers, lakes, tanks or wells.

Dry lands depend entirely on the seasonal monsoons.

Prudent wet landowners always first reserve and set apart a portion of their annual produce for sowing and other expenses for cultivation for the succeeding year. This was the golden rule 25 or 30 years ago.

For the past two decades and particularly since the advent of the Great War of 1914, owing to the fabulously high prices at which the ryots sold their cotton and other produce, there was an abnormal rise in the income which gave an impetus to a high standard of living which has come to stay. The reaction and revulsion in the postwar period during which commerce and business stagnated, commodities fetched only rock-bottom prices. The peasant was outwitted and the burden of his indebtedness has become very heavy. A drastic lowering of the inflated standard of living is the only remedy. More than one-half of the ryot population strictly adhere to the time-honoured tradition and they are in a prosperous condition. It is the middle class people with small holdings, owing to high standard of living, improvidence, inordinate expenses in marriages, ceremonies and dowries, that are deeply involved in debt and are sadly wanting the wherewithal for cultivation. They go about borrowing from money-lenders, bankers, banks and nidhis at random.

Very few ryots undertake to do capital or permanent improvement except the big landholders who, either out of produce money or other resources, carry out the requisite improvement in a minimum number of years, whereas the small landholder carries out improvement piecemeal, little by little, ranging over several years with produce or borrowed money.

(c) *Other special needs.*—During the failure of monsoon, the wet landholder is not so hardly hit as the dry landholder. The former's outturn of produce is reduced only to a small extent, whereas the latter's crop is an utter failure and he is miserably involved in debt.

To quote a typical instance, though out of the way, a continuous and extraordinary failure of rains in the Kangayam taluk of Coimbatore district for the past six years, has impoverished many a landholder, big and small, as no crops at all were raised from the vast stretch of dry lands covering over 500 square miles which has grown wild and barren. The ryots, there, are bitterly groaning under the unbearable load of indebtedness and abject penury. For payment of land revenue which falls in February or March every year, it is seen that ryots rush to bank and bankers with their jewels which they pledge and take out loans.

The rates of interest charged by joint-stock banks and nidhis, on jewel loans and land mortgage loans, range from 7½ to 12 per cent and on personal or joint security loans from 12 to 15 per cent. The period of repayment on jewel loan is one year, on land mortgage loan is three years and on personal or joint security loan is six months.

The Government advance money to the agriculturists as per the Land Improvement Loans Act of 1883 and the Agriculturists Loans Act of 1934.

The Imperial Bank of India does not advance much to the agriculturists. The Indian joint-stock banks do ordinary banking business. They grant loans and advances to traders and thus indirectly finance the ryots. Co-operative banks only are mainly financing the peasants, in season and out of it, on tangible security and are doing inestimable good to the peasantry, allowing them to repay their loans easily, by small regular instalments so that they may quickly quash their debts, and redeem their lands. Co-operative societies have already ousted the usurious money-lender from the field. The indigenous banks, bankers and money-lenders come under the same category and play the role of "Shylocks". The majority of the ryots are obliged to borrow for their cultivation at high rates and rigid terms fixing definite dates for repayment. Invariably the due date falls immediately following the harvest. The ryot is thus forced to sell his produce at unfavourable rates and unfair conditions, as the prices are always at the lowest ebb soon after the harvest. Generally the price rises over 15 to 20 per cent in a few months. Thus he is a great loser. Merchants and dealers reap their profit by selling the produce at the best advantageous time and price. The ryot has perforce to borrow for capital expenditure for remunerative improvement of his land and the unremunerative and unavoidable marriage expenses and domestic ceremonies which are a little too many. He is thus entangled in the quagmire of debt for which he pays interest only and that too irregularly. The greedy usurer wantonly allows the principal and the interest to accumulate and eventually wrings out the land from the ryot who stands ruined. The area of Coimbatore district is 7,200 square miles with a population of 21 millions. Of this nearly 70 per cent are agriculturists. The total capital rolling in this district can roughly be arrived at as follows:—

There are about 125 joint-stock banks in this district doing banking business with an average capital of Rs. 80,000 each aggregating to one crore of rupees and a working capital of not less than 2 crores of rupees not taking into account the working capital of indigenous banks, bankers, big Multanis, Marwaris, who command colossal resources from Bombay by telegraph transfers, which may work up to 50 or 60 lakhs. And last but not the least, there are the Coimbatore district urban co-operative banks with a net work of over hundred co-operative societies rolling about 40 or 50 lakhs and the Imperial Bank of India, Coimbatore, with its out-agencies and godowns circulating about 25 or 30 lakhs. I approximately estimate that from 3 to 4 crores of rupees are rolling in banks in Coimbatore district.

It is surmised that at least one crore of this sum is being utilized by the ryots.

Remedies.—Mass education, formation of village panchayats, co-operative societies, acquisition of traits of punctuality, mutual trust, thrift, parsimony, prudence, honesty, studiousness, shaking off mental inertia, and alertness, will go a long way to improve and elevate the ryot's lot. He should be weaned from the glamour of high living and luxuries and should be trained to live on "frugal fare".

The peasants of Germany and Ireland got rid of their indebtedness through the invaluable aid of co-operative propaganda of a gigantic magnitude.

Autonomous co-operative societies should be started in all the villages whose inhabitants should be members thereof and manage the affairs of the societies. Honest, solvent and successful business-experienced men should be entrusted with their direct and internal management.

As regards co-ordination, so far as the independence of the various credit societies are concerned, each is quite independent of the other. There is no apparent *entente cordiale* or harmony amongst them.

Each agency is working in constant competition with the other and is reluctant to extend the hand of comradeship.

* A bankers' association which can bring together all these people of the same ilk in closer touch is a longed for and greatest desideratum.

Indian banking is decentralized. The Indian banking failure since 1913 is proof positive of such disastrous crises which are the bane of quick development in Indian banking. There should be centralization of banking reserve in an All-India central bank with branches all over the country with statutory authority for currency note issue. The assets of most of the Indian banks are locked up so to say. They could not be readily converted into liquid cash to meet unforeseen and extraordinary demands.

2. *Marketing*.—There is an utter paucity of valuable information to the ryot, as regards securing him the best market and the highest possible price for his produce. The Agricultural Department has helped him to improve the quality and to increase the quantity of his crop but there is no bureau of information for marketing it. In Coimbatore district, cotton, groundnut and grains are carted to several weekly fairs (shandies) held on all days of the week at different places notably at Pollachi, Annur, Puliam-patti, Sulur, Kangayan, Palladam, etc., and sold for cash at the ruling prices on that day.

Pollachi is the biggest weekly market in this district and is the rendezvous of all kinds of merchants. Several lakhs worth of groundnuts are sold there annually. Tiruppur is the biggest cotton trade centre in Coimbatore district. Udumalpet is famous for jaggery trade and Erode for turmeric and groundnut oil.

Organization of co-operative credit sale societies bringing the ryot in close touch with a wider market for his crops is an essential factor.

Produce can be pooled on co-operative basis by each village and marketed just as the 28 flannel weavers of Rockdale, the pioneers of co-operation marketed their produce combinedly and bought all their domestic requisites cheaply, thus selling their crops at the best price and buying their needs at the cheapest price dispensing with the middle man.

An organized market for different commodities should be established and the illiterate peasant should be apprised of the ruling rates of the day.

Local merchants purchase produce off and on, for final internal trade. Foreign merchants and their brokers make large and regular purchases for overland enshipment. Nearly 70 per cent of inland trade is on cash purchase and 30 per cent on credit. Overland trade purchase is on "Cash down" basis.

The Indians have not as yet appreciated the full significance of the value of the bill system. The abolition of stamp duty on cheques has given a better stimulus. The predominant and common hundi in vogue, is the 90 days' sight draft. The public may be better benefited by the hundi system, if the bearer cheques are by law made to continue as bearer cheques until encashment without being converted by endorsement into "Order" cheques in the interim. It is the Multanis, Marwaris and Nattukottai Chettis that use hundis on a large scale in their transactions. As it is these hundis are discounted at the local centre.

When goods are sent to outstations 20 or 30 days "Sight draft" for the value of the consignment and the railway receipt are sent through the Imperial Bank or other joint-stock banks to the consignee who accepts the bill and takes delivery of the railway receipt. The money is realized on the date of the maturity of the sight draft. It is a very safe and sound method. Such a course is not commonly adopted by merchants. This system will educate the merchant and keep him alert to meet the demand on the due date and to maintain his credit and honour.

3. The price of wet land per acre is from Rs. 1,000 to Rs. 2,000.

The price of dry land with well per acre is from Rs. 500 to Rs. 1,000.

The price of dry land solely depending on rain is from Rs. 100 to Rs. 200.

4. The joint family system, the division, the subdivision and fragmentation of lands, present some difficulty and bigger impediments to mortgage of lands.

There are no land mortgage banks or any other bank to advance money on long term credits to the ryot in this district. It is the private banks and money-lender that have stronghold on the ryot in allowing him credit for long terms. Money should be lent exclusively for permanent improvement of land on securing a registered mortgage deed from the party for long terms ranging from 7 to 10 years repayable by regular and equal instalments.

Capital could be raised from big landholders too.

Expert and constant supervision should be made to see that the whole of the money raised is spent upon the improvement of the land. Annual instalments should be regularly and rigidly collected either in kind or cash. A judicious check and control over the proper upkeep of the land, its yield and securing the best price for the crops should be maintained.

5. Certainly it is very necessary to know the exact indebtedness of the peasants of each village.

The co-operative societies are the best agents to ascertain this fact as their members are bound to disclose their financial status.

The debt is largely due to indigenous banks and professional money-lenders. The rate of interest ranges from 12 to 15 per cent with a proviso for penal interest of 20 to 24 per cent for non-payment on due dates. Hereby 30 per cent of the farmers are perforce turned into tenants, their lands passing off to others for paying off accrued debts.

At the outset there is despair and disappointment. Eventually his incentive and efficiency stands him in good stead to harvest a good crop from the leasehold.

6. There are about 15 rice mills in the district, pounding local paddy. Dairy farms are few and far between. There is a big Government dairy at Coimbatore Agricultural College, run on up-to-date scientific lines. There are few other private dairies in the vicinity of Coimbatore town, at Pappanaickenpalayam. There are several petty concerns scattered here and there, not worth the name nor mention.

Where there is sugarcane, coconut or palmyra cultivation, brown sugar and jaggery are made from the sugarcane juice and toddy. Palmyra jaggery is made only to a small extent. Sugarcane and coconut palm are cultivated very largely and in a far greater area.

In each palmyra or coconut garden there are dug up big ovens whereon in big copper cisterns cane juice and toddy are boiled and converted into sugar and jaggery. Recently machinery has been installed for crushing sugarcane. There are over a hundred cotton gins in this district, the biggest cotton centre of South India, located mainly and largely at Tiruppur, Coimbatore, Palladam, Dharapuram, Pollachi and Erode.

There are not many sugar refineries worked on a scientific basis by the aid of machinery except one, Podanur Sri Ram Sugar Factory, which is working off and on and manufacturing about 10 bags crystal white sugar per diem. This factory has seriously suffered and is handicapped and hampered by undue competition of the imported java and other sugar which undersell the local sugar.

State protection should be afforded to local sugar factories which should be fostered and encouraged as against imported stuff by protective tariff.

Hand-spinning is being recently carried on to some considerable extent in the district for making khadder clothes. But hand-weaving with Japan and English yarns are very largely carried on. Local rice milling cannot make much headway owing to the enormous import of Bengal and Burma rice into the district to meet local demands which far exceeds the local supply. Bengal and Burma rice though inferior in quality are by far cheaper and cater to the needs of the masses. Coimbatore town alone imports over a lakh of rupees worth of Bengal and Burma rice per month.

Dairy farming can advance if the consumer prefers local butter to imported butter. Gur-making and sugar refineries can prosper if the consumers prefer local jaggery and sugar to imported Java sugar which is flooding the Indian markets.

Cotton ginning, hand weaving and spinning are on the high road to rapid advancement so far as this district is concerned. The enterprises which are best suited to the mentality and environment of the farmer are cattle breeding, goat and sheep rearing, poultry, fishing, manure-making, hay-staking, fruit-gardening, seed-gathering, and storing and egg-gathering and hatching. Goats and poultry will multiply wonderfully quickly and he can earn cent per cent profit for his investment. The co-operative societies may play the role of "guardian angels" to these farmers in funding and financing them in all these paying avocations which will indeed serve as a hobby to them.

G-A. The advent of Khaddar propaganda has revived the hand-loom spinning and weaving industry for which India was famous centuries ago, is just making up leeway.

Every household should make it a point to own one or two hand-loom whereon the housewife and other womenfolk may spin yarn during their spare hours. Men and women can do weaving with the home-made yarn.

Fishing and angling are done by farmers to a small extent more for pastime and pleasure than as a living or enterprise.

I would suggest that ryots may also get acquainted with the rudiments of carpentry and blacksmith's work so that every village farm may possess a small carpenter's workshop and a forge whereat the wooden and iron implements required for farming may, easily, readily and cheaply be made.

A village seed and a manure depot should be maintained at each village either individually or collectively on co-operative basis for the benefit of the ryot.

At present there are no seed-granaries or manure depots in any of the villages.

7. The Imperial Bank provides large cash credits to the co-operative banks at cheap rates of interest.

The joint-stock and other indigenous banks place current deposit in co-operative banks in the slack season when cash balance accumulates for which they get interest at 2 per cent per annum from July to December and at 2½ per cent per annum from January to June. The funds of the co-operative societies are limited. They have to borrow from the district central bank or if the sum is large from the provincial co-operative banks through the central bank to meet their big demands.

The working capital of the district urban bank is about 40 or 50 lakhs.

The rules of business of joint stock banks are not so rigid as those of the co-operative banks, hence a larger amount of business passes through the former whose rates of interest on loans are thought higher. Certainly co-operative societies have made tremendous advance in Madras during the course of the past 25 years since their start in 1904, far more rapidly and widely than in any other country in the world.

Statutory additions, alterations and amendments of co-operative laws should be carried out in the light of the experience gathered and gained to suit local conditions and needs, so that the present steady progress may be accelerated and the standard of perfection attained ere long.

The working capital of the co-operative societies is mainly composed of (1) paid-up share capital, (2) loans and deposits from members and non-members, (3) from other such societies, (4) from the district and provincial central banks, and (5) from several funds.

The proportion in which co-operative societies get money for their business is roughly arrived at as follows:—

- Twenty per cent from share capital.
- Ten per cent from members.
- Five per cent from non-members.
- Fifty per cent from the central banks.
- Five per cent from other societies.
- Ten per cent from reserve fund.

II.—Indigenous banking.

1. The functions of the indigenous banks and bankers are receiving deposits, giving loans on the security of gold and silver jewels, and produce, on personal single and joint security for short-terms for three to six months, on demand pro-notes for one to two years and on registered mortgage of immovable properties for long-terms for three to five years.

2. Nearly 80 per cent of the money required for agriculture and trade is financed by the indigenous banks and bankers. There are not many big industries in this district. A few are scattered here and there.

3-A. The indigenous bankers, Multanis, Marwaris and Nattukottai Chettis, get readily such large amounts of money from their principals in Bombay and Chettinad that the local money-lender could not compete with them.

The rates of interest charged by the Multanese banks for 90 days' draft are fairly low compared with the high rate which the Marwaris and Nattukottai Chettis charge.

Their volume of business is very large comprising nearly 50 per cent of the banking business of the district. Their upkeep expenses are very limited. Their mutual relationship is one of keen competition, one vying with the other to capture business. There is neither business co-operation nor co-ordination amongst them.

The Imperial Bank of India discounts bills and makes collections on behalf of these banks and bankers charging them a small percentage by way of commission for their work and have afforded large cash credits to their rich principals who reside at Bombay, Chettinad or elsewhere. They have little or no dealings with the joint-stock banks, much less with the co-operative banks.

Ninety days' sight draft in the common bill is in use on which they deduct three months' interest in advance and only the net amount is paid to the borrower.

5. The other form of loans are "On demand" pro-notes which run for six months or one year; the rates of interest charged on these pro-notes are higher than on 90 days' drafts. Hundis are largely used by merchants and pro-notes by ryots and other people. The rates of interest allowed on deposits are as follows:—

- By Imperial Bank of India, $4\frac{1}{2}$ per cent per annum.
- By District Urban Bank, 5 per cent per annum.
- By joint-stock banks, $5\frac{1}{2}$ to 9 per cent per annum.

Indigenous banks and bankers allow a rate higher than 9 per cent to attract deposits.

6. The rates of interest the ryot pays to indigenous banks and bankers varies from 12 to 18 per cent. If the principal is not repaid on the due date a penal rate of 24 per cent is charged. Legislation should be passed fixing the maximum rate of interest charged at 12 per cent and the charging of penal interest should be penalized by law.

Certainly the lowering of the rates of interest would raise the peasant life to a high and efficient standard. In nine cases out of ten, it happens that the peasant being unable to pay the interest on the loan on the due date adds the interest to the principal and executes a fresh bond and pays compound interest year after year and is thus eventually ruined.

7. The professional money-lender and banker is looked upon with awe and contempt. But all the same he is resorted to in times of dire necessity.

The bankers and money-lenders are a little too well protected by law.

The law courts grant decrees as per conditions of the contract of the debt, however hard or prohibiting the rates of interest may be.

The limitation law of three years is a tool with which the usurer manipulates and renews the old bond with compound interest added on to it, at his will as the borrower is at the critical moment in a fix at the mercy of the bankers.

I am of opinion that more legal facilities should be extended by statute to the borrower than to the usurer.

Their dealings are not in the main conducted on sound and fair lines. There are several notable instances where rich and reckless youths fall an easy prey to the unscrupulous usurer to whom they resort to meet urgent demands, dash off their signature rather blindly without in the least caring to note the amount, rate of interest and other conditions. Prior debts, high rates of interest, hard conditions of repayment and compound interest spell ruin to the borrower. All money-lenders and private bankers should be licensed by Government for plying their trade.

Certain hard and fast stipulations should be laid down by law for the fair conduct of their business.

9. Ordinary indigenous bankers score a profit of about 30 per cent gross.

Allowing a fair margin on an average of about 10 per cent for the business maintenance charges, two per cent for legal expenses, 5 per cent for unforeseen contingencies and 10 per cent for bad debts, on the whole they earn about 12 per cent net on their outlay.

They are very careful and cautious in their dealings. If a man applies for loan they will take a week or ten days before they come to a definite conclusion after making searching enquiry about his financial status and solvency. They will accommodate only 30 per cent of the best applicants for loans. It is only on unacceptable and doubtful nature of the security offered that accommodation is refused on the pretence of lack of funds. If they find a rich and solvent customer they will vie with one another to lend him money. Occasionally it is during the very busy season that insufficiency of working capital is felt.

11. An All-India Reserve Bank should be established at Bombay with branches at all district headquarters of the provinces with co-opted local directorates. At the outset large cash credits should be afforded to the rich and solvent local bankers on tangible security. Gradually the reserve bank can come in contact with several clients of the bankers and ascertain their whereabouts by the cheques cashed by them. They can with advantage utilise their opportunity to slowly and steadily acquire local knowledge and experience and gauge the solvency, honesty, promptness, and the volume of business of a host of clients.

When such healthy competition comes in, the local bankers also will try to conform to fair conditions and modify their terms. During the slack season from June to November a large amount of money is idle and does not find employment. The indigenous banks invest their money in co-operative banks or joint-stock banks such as the Indian Bank, i.e., for short-term of four to five months and earn an interest at 4 or 4½ per cent for their idle money. So all their money flows into provincial banks at the metropolis for short periods. If their surplus money could be invested in joint-stock banks of their district it will not only fetch a higher rate of interest but will also benefit the district agriculture, trade, and industry as local people may make the best use of their money.

III.—Investment habit and attraction of capital.

1. Ample scope for the investor lies in the banking resources of the province in the following channels, viz.—

- (1) The Government of India.
- (2) The Imperial Bank of India.
- (3) The Madras Central Urban Bank.
- (4) Other big joint-stock banks.
- (5) The foreign exchange bank.

The Government of India and the India Office between them maintain the rate of exchange and pass remittances between London and India not only to meet their own charges but also to maintain the equilibrium of expansion and contraction of currency.

The Imperial Bank of India are Government of India bankers who control discount rate and credit issue of India. They do ordinary business, like other joint-stock banks, but are forbidden to do exchange business. The exchange banks are all foreign banks and they finance import and export overseas trade. They take in fixed and current deposits and compete with the Imperial Bank and other joint-stock banks. Prominent among them are—

- (1) The P. & O. Bank.
- (2) The National Bank of India.
- (3) The Mercantile Bank of India.
- (4) The Chartered Bank of India, Australia, and China.

The Indian joint-stock banks are doing ordinary banking business, taking on deposits, discounting bills, giving loans and advance to traders, facilitating movement of crops and are also doing a very small percentage of exchange business. Big joint-stock banks are located in important seaport towns, the largest among them being the Central Bank of India. To quote a few others, there are the Indian Bank, the Bank of India, the Bank of Mysore, the Nedungadi Bank, the Punjab National Bank, and the Hindustan Bank.

Indian joint-stock banks offer a slightly higher rate of interest on fixed and current deposits than the co-operative banks and the Imperial Bank. The Imperial Bank does not give any interest on current deposits.

The co-operative banks are primarily intended to help the ryots. But the Central Provincial Bank which is situate at Madras besides financing the District Urban Banks who in their turn fund the rural co-operative societies, does ordinary banking business also. Chettis, Multanis, and Marwaris do indigenous banking business from time immemorial. They take in long-term deposits and also accommodate long-term loans. They adopt no cheque system. They play the part of middlemen between the big banks and the public. They range from a small village capitalist to the big city millionaire.

Additional capital is required for exploitation, reclamation of thousands of acres of waste lands in this district, improvements to dry and wet lands by sinking wells, enlarging irrigation, introduction of latent scientific methods and manuring and the opening of several various cottage industries.

Land mortgage and industrial banks should be opened on a large scale. At least one crore of rupees is required to start with. At the present the only impetus for the poor is the post office savings bank in which they repose implicit confidence and faith as it affords facilities for small deposits and withdrawals at short intervals.

The Indian Bank, the District Urban Bank, and the joint-stock banks now offer better facilities to the poor, the middle class and the Government servants to invest their savings in their savings deposit account which pays interest at 4½ to 5 per cent. These facilities should be still improved and extended to interior hamlets. Co-operative societies should be started in every nook and corner of the district and deposits should be taken from a minimum of one rupee upwards.

Hindus use most of their savings in making silver and gold ornaments and silver vessels. Of about 40 crores worth of gold and silver bullion all imported annually into India, nearly 90 per cent of the gold and 50 per cent of the silver are readily converted into jewels, not to mention over a crore of rupees worth of diamonds, imported from Holland and South Africa, rubies and precious stones from Burma, pearls and corals from Ceylon, silk and lace from China, Japan and France for making costly clothes, i.e., saris for women. The postal cash certificates are popular in towns and in the interior where post offices are located.

2. Steps should be taken to increase their popularity by propaganda work by village postmasters and postal inspectors by inspiring confidence in the minds of the illiterate villagers. Periods of redemption of postal cash certificates should be shorter, that is, two or three years, and the percentage of interest should be raised a bit higher.

Certainly the post office savings bank affords immense facilities for small and poor depositors; vigilance, promptness, quickness, courtesy, and politeness in receiving and paying out money should be judiciously exercised so that the depositor need not tarry a minute longer at the post office counter, than is absolutely necessary.

Withdrawals may be permitted more often than at present.

To attract better and other class of people, the annual maximum limit of deposit of Rs. 500 should be raised to Rs. 5,000. Banks and bankers are not seriously affected by postal cash certificates as the investors under this category are not their clientele. But they are greatly affected by treasury bills the purchasers of which, most of them, are bank constituents.

3. Government promissory-notes can be directly purchased from the Government Treasuries and the Imperial Bank of India. The provincial central co-operative banks and some of the joint-stock banks also undertake the purchase and sale of Government promissory-notes.

The face value of the lowest denomination of the Government promissory note is Rs. 100.

Government promissory notes of Rs. 25, 50 and 75 also should be for the benefit of small investors. Government promissory notes should be sold at all post offices even on postal cash certificates and should be readily and quickly available to the investors. There are stock brokers like Messrs. Husan Tod, Kothari & Sons, and others who maintain offices for the exclusive business of buying and selling Government promissory notes and also various shares and securities of joint-stock companies.

The rich landholder invests his produce and interest money in advancing loans on mortgage of immovable property at a high rate of interest. He deposits a portion in current account in local banks for drawing from time to time to meet immediate demands.

The middle class and poor landholders whose incomes are limited keep whatever excess money they have, locked up in their chests for constant use for the whole year.

Rich ryots are not generally inclined to lend to their fellow ryots. They rather like to invest their savings elsewhere than in their own village.

The rich ryot lends money to his neighbour on high rates of interest repayable in kind at the time of the harvest.

In a prosperous year the prudent few buy additional lands, build houses or improve their land whereas the improvident many indulge in unremunerative and unproductive expenses such as marriages, ceremonies, luxuries, high living, making jewels, and buying costly cloths.

Owing to the indebtedness and recklessness of the poor ryot a rich ryot or a non-agriculturist purchases his small holdings.

4. The use of cheque means having a banking account.

Merchants, contractors and high paid Government servants, keep their money lodged in a bank paying in from time to time and drawing cheques for their requirements.

Foreign countries pass all their transactions through banks by cheques and bills. The habit of using cheques has grown very rapidly all the world over so much so that even a poor man's wife in America and England owns a banking account and pays her petty bills by cheques.

The amount of war loan in public hands in foreign countries has turned many people into investors.

An investor who receives dividend from Government securities, stock of shares, sends his dividend scrip to his banker for encashment, not minding the small commission which the banker charges for his trouble. The investing class have ready recourse to banks for the purchase and sale of securities and shares.

Indians are just now realizing the benefit and advantages of a banking account. The habit of using cheques is growing quickly among educated merchant classes, rich men, mill owners, and a few other classes. Illiteracy and want of banking facilities for small deposits are the drawbacks.

Indians should be educated about the utility of business promptness, credit, thrift and economy, which are attendant on banking habits.

It is the banking habit in the course of the past 150 years that has raised America and England high in the eyes of the world as the greatest financiers of the globe.

The middle and poor classes do not have recourse to cheque system at all. Payments to Government servants and bank employees of rupees two hundred and over by cheques may to some extent induce them to open bank accounts.

The use of vernacular cheques and scrips in banking will certainly encourage the majority of merchants and others who do not know English to take advantage of banking account and the large use of cheques.

5. Banking and investing habit in India is of recent and slow growth. Coming as it did in the wake of the post-war period when there was plethora of wealth a host of industrial concerns sprang up all over India though many of them came to grief ere long.

There is a lack of confidence in villagers to invest money far away from their villages or towns.

Location of good banks in the heart of towns and the villages or in their vicinity with ample scope for small depositors, may improve the situation.

There is a capital of about 25 crores of rupees rolling in India in banks which are about 600 in number all told, working out an average of less than Rs. 10 per head of population; whereas there are 30,000 banks in America rolling 1,360 crores of rupees and 9,500 banks in the United Kingdom of Great Britain rolling 230 crores of rupees.

Wide publicity and advertisement of the balance sheets of the assets and liabilities disclosing the status and standing of the banks should be made pretty often.

The best method of creating banking habit in our country is by educating the public on banking lines.

Bankers should afford best help to small depositors. Systematic and regular propaganda work by organizers should be undertaken. Lectures on the benefits of banking should be delivered in vernaculars explaining the ways and means adopted by western nations and Japan (recently) to enormously increase their capital and reserve in banks.

Accredited banks should issue periodicals and bulletins on banking. Each and every bank should publish weekly or fortnightly statements of their financial affairs showing therein its paid-up capital, reserve fund, reserve liability of shareholders, assets and liabilities and liquid cash balances for the information of the shareholders, depositors and the public.

If the enormous amount of about 40 crores of rupees annually sunk in India in unremunerative and unproductive jewel-making were utilized for the up-building of the country's progress in capital expenditure, India can well afford not only to be self-sufficient but also play the role of a mighty figure-head in the financial world lending and contributing to international European loans instead of her going abroad borrowing in the London money market.

A bold step forward may be taken by reducing at least half to half the import of gold and silver bullion from 40 to 20 crores and taxing heavily all imports of diamonds and other precious stones. This may give a check to the craze of jewel-making. The Imperial Bank of India since it became a State bank in 1921 is the custodian of a very big amount of Government money free of interest and has acquired an unassailable prestige and position as a stronghold of immense liquid cash.

Its touch with the public is not so close and constant as it was during the golden days of the old Madras Bank.

There are certain checks and restraints as per rules of the bank in the matter of accommodation of credit to merchants who cannot command easily and readily the credit and patronage which will be a great incentive in the increase of the volume of business with assured and accredited mutual benefit and advantage to the clientele and the bank.

The opening of the 100 branches of the Imperial Bank of India all over the country, in the course of the past seven years, will certainly be crowned with splendid and brilliant success, if Indian advisory boards are appointed in each and every branch and Indian magnates, capitalists and merchants of the financial standing, sterling merit, status and attainments are freely allowed to take an active part in the internal working and direction of the bank.

**Written evidence of Prof. N. G. RANGA, B.Litt. (Oxon.), F.R.E.S.,
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Since I have had an opportunity of studying the conditions of the villages in the districts of Nilgiris, Coimbatore and Salem in the south, Guntur, Kistna, East and West Godavaris, I propose to present my information for each district separately as it will facilitate the presentation of facts more clearly.

To take Nilgiris first, there are two important agricultural communities on the hills—the Badagas and the Chettis. Agriculture is to the former, only a means of subsidiary occupation while to the latter it is the main and often the sole means of occupation. Therefore although the Badagas obtain credit ostensibly for agricultural purposes they often spend much of it upon non-agricultural and usually unproductive purposes. But the Chettis of Gudalur invariably devote the credit obtained for agricultural purposes. It is therefore necessary that figures for the indebtedness of these two classes of people will have to be interpreted differently.

The Badagas obtain credit for agricultural purpose from the following sources, arranged in the order of their importance:—

- (i) European planters;
- (ii) Co-operative societies;
- (iii) Muhammadan and other merchants of Kotagiri and Coonoor.

Europeans often advance money to these people to enable them to raise tea and potato plantations. Very often, the credit thus obtained is devoted to purchase tea seedlings, to dig the pits and plant the seedlings and raise the necessary fences and bunds.

The co-operative credit societies have advanced most of their credit to enable the Badagas to raise potato crops by purchasing the necessary quantities of seed and by improving and clearing the land.

The Muhammadan and other merchants usually advance money to the Badagas not for capital and permanent improvements but “for expenses during cultivation.” They sell grain, other kinds of food and cloths on credit and offer to receive payments by instalments during the year in return to which the Badagas agree to sell their potato crop only to these merchants but at the market rate prevailing at the time of the sale. It is only these merchants who offer credit in times of emergency caused by the failure of crops, the deaths of relatives and the consequent costly funeral ceremonials.

Coimbatore district.—In Coimbatore district, the Tolvans and Vellalas obtain credit for capital and permanent improvements from the local rich ryots, a few rich Brahmins, the merchants (Telugu Vysvas) of Tiruppur, Coimbatore, Gobichettipalayam and the Navudus of Palladam. Some of them manage to obtain the credit necessary for expenses during cultivation from the abovementioned money-lenders and also from petty money-lenders, who deal in forward contracts or who wish to obtain grain and other agricultural produce at cheaper rates than usual.

But the ryots of this district are accustomed to borrow large sums of money for non-agricultural purposes also, owing to the fact that some of the Vellalas have come to develop a high idea of their social status and so the question of obtaining credit for productive purposes is not so great as it is in the case of the ryots of Salem.

Salem district.—The most important sections of ryots in Salem are the Telugu ryots of Hosur division and the Vellalas of Salem division. The Telugus are more prone to spend large sums of money upon ceremonies and maintenance as they maintain a fairly high standard of living. But the Vellalas of this district are, as a rule, thrifty, hardworking and careful and are therefore unwilling to borrow large sums of money for any but agricultural purposes. Moreover, the assets of the ryots of this district are

much smaller than those of Coimbatore as the rainfall of this district is most scanty and precarious and the land is very poor in its fertility. Therefore, their ability to obtain credit is strictly limited.

Agents for the supply of capital.—The Brahmins and Vaisyas of Kelamangalam and Denkanikota, the Vaisyas of Kumarapalayam and Bhavani, the Nattukottai Chettis of Salem and Coimbatore advance the needed credit to the agriculturists of this district. But out of these people, the Vaisyas and Brahmins and some of the rich Vellala ryots advance credit mostly to the poorer ryots for “expenses during cultivation,” while the Chettis lend fairly large sums of money to the Vaisyas and the rich Vellalas who in their turn carry on money-lending business.

Failure of monsoons is a common feature in this district and at such times the Vellalas are obliged to go to the Vaisyas of the neighbouring towns crying for accommodation. The money-lenders of this district serve, by thus advancing the credit to these ryots, one of the most useful functions in the rural economy of this part of the country. In fact, the amount of capital borrowed for non-agricultural purposes is so small when compared to the capital advanced for agricultural purposes that one begins to feel that after all *these money-lenders, however bad and ruinous their methods of banking may be, are certainly performing a very useful function.* In fact, the supply of capital at the command of these Telugu Vaisyas or Komatis is always far short of the demand and they are therefore not only obliged to borrow in their turn large quantities of capital from the Chettis but also to starve the needs of the ryots for the capital. So it happens that, except for a few exceptions here and there, *the ryots of this district utilise much of the capital borrowed for extremely useful and necessary agricultural purposes.*

The Guntur ryots, most of whom are Kammas, have a less creditable record, as far as the utilisation of capital is concerned. The deltaic ryots find it extremely easy to obtain credit from the numerous rich Kammas, the increasing number of Marwaris of Tenali, Guntur and Bezvada, the Imperial Bank of India with its branches in Guntur, Tenali and Chirala and the Vaisyas of Bapatla, Tenali, Guntur and Chirala. The co-operative credit society also has come to play an important part in these parts. *The amount of capital borrowed by the ryots of these deltaic villages for agricultural purposes is only about as much as that obtained for other purposes and this is so because of the inflated values of land and the recklessness of the ryots.*

But the upland ryots are very much more careful than their brethren in the delta and they borrow money mostly for agricultural purposes from the Vaisyas of the neighbouring towns, the tobacco and cotton exporters and merchants and the rich ryots in their neighbourhoods. These people make very little distinction between different purposes in their agricultural economy but they borrow money mostly “for expenses during cultivation.” Even amongst these people, those who belong to the rich tracts of land in Guntur and Narasaraopet taluks and who raise tobacco and groundnuts are fortunate enough to obtain nearly as much capital as they require. But the ryots of Vinukonda, Palnad and Sattenapalle are hard put in obtaining credit and they very often are obliged to neglect the necessary improvements upon their land just because of their inability to obtain the necessary amount of capital.

The deltaic ryots of Kistna and the two Godavaris share almost equally all the evil habits of their brethren in the Guntur delta. Most of them are however pressed for money whenever they have to effect any improvements upon their land and they find it hard to get the necessary amount of money “for expenses during cultivation.” But they will agree, rather willingly and even anxiously, to very onerous terms in order to obtain large sums of money either to purchase lands or to celebrate some ceremonies. It is indeed a paradox. For useful and necessary purposes of life, the ryots find it difficult to obtain credit and are unwilling to agree to the terms of the money-lenders, while they are quite prepared to agree to any terms in order to get the credit for celebrating a marriage or speculate in land values or to purchase a field. These deltaic ryots

have developed an all-consuming passion for land and they go on investing large sums of money upon the purchase of lands, although agriculture is fast becoming more than uneconomical.

But when the crops fail owing to the visitation of a pest or the damage caused by floods and submersion, most of these so-called prosperous ryots are in great difficulties and they find it very difficult to obtain the necessary credit to maintain themselves and their cattle while they go on cultivating land in anticipation of the next crop. The outbreak of cattle epidemics has now become so common a feature that it will have to be reckoned by the economists and those interested in rural problems as an important calamity, which is nearly as great in its effects as failure of rains.

It is curious how a few rich or improvident ryots find it very very easy to borrow large sums of money while the great bulk of the ordinary deltaic ryots find it extremely difficult to obtain credit even "for expenses during cultivation" not to speak of purposes such as "capital and permanent improvements."

The agents who supply capital for these ryots are the following:—

- Vaisyas of the various towns;
- Rich ryots of the different villages;
- Merchants of the towns;
- Inamdars and absentee and other landholders who have leased out their lands;
- Cloth merchants of Nellore and Ongole;
- Itinerant money-lenders from Guntur district;
- Marwaris;
- Co-operative societies;
- Imperial Bank of India.

Out of these, Vaisyas, rich ryots, inamdars and others and co-operative credit societies are the most important agencies. The Vaisyas and rich ryots usually advance money "for expenses during cultivation" and "for capital and permanent improvements" but the former are interested in the crops on the fields while the latter are anxious to grab as much land of their debtors as possible. The former obtain forward contracts for the crops of their debtors while the latter try their best to get the debtors slowly but surely into their clutches so that land will pass into their own hands. It is largely true to say that the ability of these two agencies to effectively disable a ryot by advancing more credit than is good to him has largely been lessened by the advent of co-operative credit.

But the economic weakness of most of the ryots of these Godavari and Kistna deltas is indicated by the fact that there are numerous ryots of very many villages, most of whose land has been under irrigation for the last 40 years, who are still obliged to obtain cloths on credit from the Nellore and Ongole merchants, seed on credit from the Vaisyas, small sums of credit (Rs. 5 to 10) from the money-lenders who hail from Guntur district and credit for effecting "capital and permanent improvements from the rich ryots whose interests are directly opposed to those of the debtors. Therefore, I am obliged to come to the conclusion after this cursory survey of the present system by which these agriculturists obtain credit that the ryots are not able to obtain as much credit as easily and readily as they need for their agricultural needs.

Upland ryots.—To come to the ryots of the uplands of these three districts, it must be said that the same agencies supply credit to these people also but in smaller sums and much less readily and voluntarily. These ryots find it hard to obtain the necessary capital for the purchase of groundnut seed. Several of them are obliged to obtain the seed on *namulu*, a system of advancing credit in terms of grain or seed at 50 to 100 per cent interest for a period of three to six months. Most of the ryots are obliged to borrow money, if at all they wish to effect "capital and permanent improvements." If once there is a failure of monsoons or an outbreak of epidemics among their cattle, they are incapacitated economically and more or less permanently and it becomes extremely difficult for them to find accommodation with any money-lender.

In fact, the Marwaris are not very much interested in these people and they advance some capital, if at all, only indirectly through Vaisyas of the towns, who it is that supply most of the capital to the ryots of the uplands. It is therefore not an exaggeration to say that the needs of these ryots for capital are always starved and the price paid for it is consequently famine price and is in every way unjustifiable.

As for the rates of interest, the usual rate in the deltaic parts ranges from 12 to 18 per cent while very often 18 to 36 per cent is also extracted. *Namulu* and *Jatti* are two methods of borrowing capital, open to the ryots. Many ryots do resort to them and are therefore obliged to pay 50 to 150 per cent per annum. In fact the rate of interest has a tendency to rise to an almost impossible extent in the case of very poor ryots, and particularly is it so in the case of the ryots of those villages which are subject to the trouble of submersion of crops and also the so-called rich but improvident ryots who are suspected to waste their properties. Industrious and careful ryots who are known to be thrifty are able to obtain credit though in insufficient quantities at 12 to 18 per cent.

Rate of interest.—But the rate of interest varies according to the kind of money-lender also. If he is a ryot, the rate is never more than 18 per cent but if he is a merchant, who is interested in *Namulu* and *Jatti*, it is never less than 50 per cent. If he is, however a Marwari, the rate mounts up to at least 36 per cent compound interest. The Nattukottai Chettis of Salem and Coimbatore districts are known to charge not more than 36 per cent compound interest.

In the case of the upland ryots, the rate is always above 12 per cent and is in many cases 50 to 100 per cent compound interest. Many of the ryots are obliged to get advances of credit only on *Namulu* or *Jatti* or both the systems.

Period of credit.—As for the period for which credit is advanced, the Vaisyas give fairly long term credit, the time being never less than an year, except when *Namulu* and *Jatti* are offered. The rich ryots who deal in money-lending are found to offer credit for a period of at least 3 years on simple interest, although a few of them try to collect the money more often and derive thus an additional advantage. The itinerant cloth merchants and money-lenders, the ryots and Vaisyas who deal in *Jatti* or *Namulu* offer credit for only 3 to 9 months. The Imperial Bank of India offers short time credit, not exceeding a year. The co-operative credit societies offer only six months credit except in a few cases, in which credit is offered for a longer period on the security of lands, mortgaged or not.

Nature of the security.—In Salem district, the land is often mortgaged, while in Coimbatore District, no mortgage is demanded. On the Nilgiris, the Badaga's land is often attached although the Chetti's land is not mortgaged as they are supposed to be fairly honest and regular in the repayment of their debts. In the four northern districts under review, mortgaging the property except in the case of co-operative credit is not at all popular, although in a few very poor villages in Bandar, Ellore, Nandigama, Rajahmundry and Peddapur taluks, most of the ryots are obliged to mortgage their lands.

As for *Namulu* and *Jatti*, the very idea underlying these methods of advancing credit is that the crops are taken as the necessary security. Thus the poorer ryots of Bandar, Kaikalur, Nandigama, Ellore, Peddapur, Rajahmundry, Tadepalligudem and Tanuku taluks are obliged to offer their crops as their only security for the credit they obtain from the merchants. The Badagas of Kotagiri offer their potato crop as security. But most of the deltaic ryots of the four northern districts are not obliged to mortgage their lands or to offer their crops as the only security since the values of their lands are very high. This is in fact the one substantial advantage they derive from the higher prices prevailing for their lands. On the other hand, this seemingly desirable independence of theirs proves to be the very curse for them because, encouraged by this, they very often borrow very much more than they ought to and venture upon very many doubtful enterprises and land themselves in difficulties very much more quickly.

Part played by different agencies of supply of capital.

Government.—The Government is a very unimportant agency for the supply of capital. It is supposed to advance takavi loans whenever demanded but the procedure followed in the distribution of these loans is so crude and the machinery for the distribution of these loans moves so very slowly that the total amount of it demanded and offered is almost negligible from a comparative point of view. There is certainly a great future for such cheap and well guaranteed credit, if, according to the recommendation of the Royal Commission on Agriculture, it is distributed through the co-operative credit societies or co-operative land mortgage banks.

Imperial Bank.—The activities of the Imperial Bank of India have increased to a very great extent in the last ten years. More branches have been opened and credit is advanced to the agriculturists much more easily and more confidently than previously. In fact, this bank has come to be a potent force as far as supply of credit is concerned, in the deltaic taluks of the four northern districts and especially in Guntur district. *Bhima* credit, as it is called by the ryots, is obtained from this bank on the security of paddy in the granaries by almost all the important deltaic ryots of Guntur district and Kistna district while this form of credit is becoming increasingly popular in the two Godavari districts also. But unfortunately owing to the fact that the agents of the branches of this bank are foreigners who are unacquainted with the economic conditions of these districts and who are exceptionally timid and unenterprising and who are dependent upon much more timid and much less enterprising Indian cashiers this bank has not been able to capture as much of the capital market as it very well can both to the advantage of itself and its customers. It is also largely true that this bank deals in agricultural credit as only a side line of its work, relying more upon the financing of the marketing of agricultural produce. This attitude must be altered, more enterprising and skilful agents are needed and agricultural finance must be taken up much more seriously if at all this bank is to play its proper role in this sphere. Even if all these changes are effected, it must be admitted that it will not be possible for it to advance credit to the numerous small holders with whom these districts abound.

The industrial bank is supposed to have its branch in Guntur but it has not yet begun to do any work as far as the agricultural credit is concerned. There is no other joint stock bank, whether English or Indian, which has tried to finance the ryots in any of these seven districts under review.

Co-operative banks have certainly come to be a potent factor in all these districts. On the Nilgiris, these banks have created two factions among the Badagas, while the Chettis are left to shift for themselves without them.

The upland ryots of Salem and Coimbatore and the four northern districts do not have half as many banks as the deltaic ryots, nor do they obtain one-fourth as much co-operative credit as their more fortunate brethren. This is so because the Co-operative Department seems to be averse to the quick expansion of this movement, there are not enough capable people in the villages of these parts who can organise and run the co-operative banks and also because the leaders of co-operation have not sufficiently understood the importance of this problem of supply of capital.

But it can nevertheless be safely asserted that almost every important deltaic village has to-day a co-operative credit bank and that almost every important ryot of such villages is able to obtain some co-operative credit. It is said that the maximum lending capacity of most of these banks is very low. In fact the co-operative credit has only succeeded so far in satisfying the growing needs for capital, leaving intact the hold which other agencies for the supply of capital have already established for themselves. In a few but an ever increasing number of villages, these banks have no doubt succeeded to lessen the importance of the merchant and ryot money-lenders and the Marwaris.

The indigenous banks and bankers.—In Salem and Coimbatore districts there are many Chetti mdhis, which advance large sums of money to the *Vaisyas*, merchants and others who in their turn lend money to ryots. But these banks and bankers do not try to establish direct relations between themselves and the ryots whom their money eventually reaches. Moreover, the part played by their capital in agricultural finance is very insignificant, although its part in financing the merchants and others interested in dealing in grain is none too insignificant.

Professional money-lenders.—It is wondered what exactly is meant by this class of people as distinguished from the above class. The Nattukottai Chettis, Marwaris, the Telugu Komatis of Salem and Coimbatore, many of the rich Kammas, Kapu and Reddi ryots and a few Vaisyas and almost all the Marwaris of the four northern districts can be said to be professional money-lenders. These people specialise in lending money to agricultural classes, although some of them like ryots are interested in cultivation and some others like Marwaris often lend money to merchants and others who are not primarily interested in cultivation.

Because of the presence of the Nattukottai Chettis, the Marwaris are not able to play as great a part in agricultural industry of Salem and Coimbatore as they do in the hand-loom weaving industry and also in the commerce associated with agricultural produce. Komatis are the most important group of people in these two districts.

But in Guntur, Kistna and the two Godavaris Marwaris have replaced the Vaisyas almost entirely and they bid fair to compete successfully with any other agency for the supply of capital, not excluding co-operative credit. These people hail from Guzerat and Rajastan and they often work in family groups of four or five, so that, while one or two go to their native places, the others may carry on their business. They first of all try to get into touch with local conditions and manage to get all possible information regarding the financial condition of most of the prominent merchants, grain dealers, ryots and others of the taluk or tract of the country in which they wish to spread their business. Two or three of them, when asked, told me that all of them obtain credit in their own country, very cheaply, often at 6 per cent simple interest. They lend that money to the Telugu ryots and others at 18 to 36 per cent compound interest for such short terms as three to six months, on the security of the borrower and another one who is prepared to stand surety. As they have already gathered information regarding the solvency of most people, they are in a position to advance fairly large sums of money to every prominent person who approaches them without much delay and without the outwardly inquisitorial enquiry into the conditions of the borrowers. Therefore the borrowers go to those money-lenders much more quickly and readily than to other agents for the supply of capital.

But the Marwaris are careful enough to insist in every case, where the ryot who demands money is not at all known to them, that he should get some one known to them to stand surety. Thus they safeguard their interests carefully and sufficiently.

Merchants and dealers.—These people do play some part in Salem district in financing the ryots on the security of their crops. But their position is very much more secure in Kaikalur and secure in Bandar taluks in Kistna district, and Sattenapalle and Vinukonda taluks and also in Narasaraopet and Guntur taluks in Guntur district and Ellore taluk in West Godavari district. These merchants and dealers advance money on *jatti* or forward contracts to the small holders on the security of their crops, primarily to assure themselves with a cheap and plentiful supply of the agricultural produce. But it must be admitted that their importance is slowly decreasing owing to the increasing activities of the co-operative banks.

Capital needed per acre.—It is impossible for me to try to give a total estimate for the capital needed by all the people of these seven districts. It can be arrived at, if the extent of the land under different crops grown in these districts is known and if the standard of living of the ryots in

these districts is also estimated at least approximately. The statistics gathered by the Economic Enquiry Committee for the Kistna and East and West Godavari and the estimates made by it for the total capital needed by the ryots of these districts will be of very great use in this connexion but I am unable to make use of them at this stage.

The following calculations will however be of some use in arriving at a correct estimate of the amount of the capital needed to carry on cultivation in most of the villages in which only such crops as paddy, cholam, cotton, tobacco are raised.

As for expenses during cultivation the following items of expenditure will have to be taken into account:—*Seeds, manure, labour, agricultural implements, the maintenance and depreciation thereof, the cattle and their maintenance and depreciation and the maintenance of the ryot himself.* Most of the ryots preserve a portion of the grain produced for seed but the cost of it will have to be taken into account, as they are obliged to lock up so much of capital in anticipation of future use, without using it for their immediate needs. In fact there are still many ryots in very many villages who are obliged to sell away all their produce soon after the harvest and to borrow on *namulu* seed for raising groundnut, paddy and cotton. The amount of interest paid by them is enormous.

It is indeed a sad fact that *much of the land is not supplied with any manure at all in these seven districts.* There is much more land which gets only an insufficient quantity of manure, and even this is spread upon it because some valuable crops are raised on it. The amount of land which is really well manured may not be more than 30 per cent of the total cultivated area of any village in this Presidency. *This is so because most of the smaller ryots do not have sufficient capital to invest upon manure*

The question of different manure is not so important. If only the ryots are able to command sufficient supply of capital, they can be enabled to secure the most useful manure. In fact even now the ryots have a surprising amount of knowledge about the relative values of different manures but they lack the money with which to purchase manure.

The amount of cow-dung and farm yard manure produced by the ryot on his holding is so small as to be sufficient for only one-fourth or one-fifth of his holding of 5 acres and less. Even this manure must be priced, if we are to make a proper estimate of the capital needed. But every ryot who is desirous of manuring his land well at least once in three years must purchase manure.

It is usually believed by people who have not had much acquaintance with the village conditions that usually a ryot need not and does not engage much hired labour. They even assert that most of the hard working ryots do actually manage to supply all the labour needed with the aid of the members of their families. But unfortunately actual conditions are not so poetical as we are encouraged to believe. The amount of labour contributed by the members of a ryot's family is on the decrease because of the spread of civilization and also because of the unwillingness of women to share in field work. Large classes of people, including Kammas, Kapus and Reddis of the four northern districts think it beneath their dignity to allow their women to work in the fields. Moreover it is not possible even, if all the members of a ryot's family are willing to work, to avoid calling in the aid of casual labourers during such periods of the transplantation and reaping and harvesting of paddy, picking of cotton, pulling out and gathering groundnut, pruning and curing of tobacco, reaping of cholam and maize and picking of chillies. These are seasons when the local supplies of labour are found insufficient and immigrant labour is welcomed, as most of the ryots commence at the same time the same kind of work which will have to be finished in the shortest possible periods owing to the exigencies of seasons. Therefore the part played by casual labour in the growing of almost every crop, *excepting fodder crops, is very important and it even shows unmistakeable signs of increasing.* The capital that must be devoted for paying for this factor of production is an important item and in fact most of the ryots who resort to *namulu* do so for the purpose of paying for labour.

Agricultural implements are necessary for every landholder, however small and insignificant his holding may be. It is not, as is generally believed, an easy matter for a ryot to purchase and maintain these implements. They get broken very often and though they are cheaply obtained, the repairing charges are very heavy; ryots are troubled and worried much more in this regard than in the case of other factors of production because an important implement like a plough or any of its accessories may break just when delay may mean a heavy loss to the ryot. The carpenters in the villages are neither regular in their work nor are they industrious. The local supply of the necessary timber, for instance, the babul timber, is diminishing and the dependency of the ryots upon imported timber and the fluctuations in its prices is increasing.

The problem of cattle is a very important one in the rural economy of our villages. *The ryots lose more money upon cattle than upon any other item of expenditure and the outbreak of epidemics amongst cattle has become as great a nightmare to the ryots as famine used to be in times past.* In the past, it was possible and it was even attempted to breed the necessary number of draught animals in every village owing to the fact there was plenty of grazing land and dry crops whose stalk was very much relished by cattle were raised generally in every village and fodder crops were raised everywhere in sufficient quantities. But now most of the villagers of the four northern districts and of even Salem have come to depend upon imported cattle for the supply of draught and dairy animals. It is feared that the total supply of these animals, and the rate of increase of supply are falling off rather rapidly. Therefore, the cost of the animals, their longevity and efficiency are affected badly, while the maintenance charges are mounting up to an almost impossible extent, owing to the shortage in the supply of gingelly cake, horsegram, cotton seed, sunhemp fodder and paddy husk and bran. *It has therefore become necessary for ryots to devote more capital for this factor of production than in the past.*

Lastly it is necessary for us to estimate the amount of capital needed by a ryot to maintain himself while the crop is on the field. This can be done by estimating what it will cost to maintain a family of husband and wife, two children and an adult dependent on the margin of decency and by dividing this figure by the size of the average holding in any village. No objection need be raised for including this figure also in our estimate of the total amount of capital needed per acre per annum because a ryot will have to live and maintain himself while the crop is on the field and also because many of the ryots of our country are obliged to borrow capital with which to maintain themselves. We cannot avoid this item by saying that most of the ryots seem to manage all right without constantly borrowing for their family maintenance because they form only an important and influential minority of the ryot class of any village.

Therefore we come to the following estimate for the capital needed for an acre of paddy land per annum by a ryot to provide himself with the following factors of production in order to carry on his cultivation:—

	RS.	A.	P.
Seeds
Manure
Labour
Depreciation and maintenance of agricultural implements
Depreciation and maintenance of cattle
Maintenance of ryot's family
Total capital needed per acre per annum	85	0	0

This amount of Rs. 85 is the minimum amount of capital needed per acre per annum by any ryot in any part of the country, however poor the crop he raised may be and however low his standard of living may be. It is in fact more true to say that as much as Rs. 120 is needed per acre of paddy crop.

It can be seen, if complete figures for the amount of capital supplied by different agents of capital are available, to what extent the total demand for capital is met by the total supply of capital. It is impossible for me to say definitely how far short of the demand is the total supply of capital but it is

not difficult for any one who has seen the difficulties through which most of the ryots go in order to supply themselves with the minimum amount of capital, to assert that the amount of capital available is not even half as much as is demanded by the ryots.

Moreover, the above estimate relates only to the amount of capital actually supplied to this industry. But this figure will have to be raised at least by 50 per cent, if agriculture were to be supplied with as much capital as is good for it to absorb. Then the shortage of the supply of capital will be much greater.

It is impossible for any one to make an estimate of the capital needed to provide for other special needs with anything approaching accuracy and it is not moreover practicable to make an attempt.

But it is equally difficult to make a similar estimate "for the capital and permanent improvements" needed for an acre of paddy land or coconut or orange garden. Once in every thirty years, the earth in paddy fields must be thoroughly turned upside down, in addition to being well manured at a cost of Rs. 300 or Rs. 10 per annum. The non-recurring capital expenditure upon an acre of paddy field before it is converted into wet land comes to about Rs. 300.

Similarly the non-recurring capital expenditure upon an acre of coconut or other fruit garden over a period of five years amounts from Rs. 500 to Rs. 2,500, the exact amount depending upon the kind of fruit trees raised. If it is coconut garden, not more than Rs. 500 will be needed but if it is an orange garden, at least Rs. 1,500 will be needed and if it is a lemon garden, at least Rs. 2,500 will be necessary.

On a coconut garden, although coconuts cannot be had for the first eight or ten years, cholam, maize or horsegram can be raised for the first four years and therefore a part of the outlay can be realized without too long 'a waiting period'. Similarly on an orange or mango garden, plantain crop can be raised for a period of three to five years leaving thus a waiting period of four to five years before the first important picking of fruit can become practicable. But on the lemon garden, a much longer waiting period becomes necessary. Therefore the non-recurring capital outlay depends to a large extent upon the length of this "waiting period" before the first crop can be had.

Another factor influencing the amount of the capital outlay needed for different gardens is the nature of the fruit trees grown. The coconut plants cost much less than lemon plants and the banana plants are cheaper than coconut plants. Again the initial improvements that must be made to prepare a garden for coconuts cost less than what is necessary for lemon garden as the level of the land must be raised higher for the former than for the latter. Coconut garden needs much less manure and much less water and less often than the lemon garden.

Defects in the present system of the supply of capital.

In the very beginning it must be stated that the most important trouble from which agriculture is suffering is the insufficient supply of capital. If land is not properly improved or manured or drained or cleared and cleaned or squared, it is so more often because of the scarcity of supply than because of any other defect. If the necessary number of cattle are not maintained and if the cattle are not properly maintained, it is mostly because the necessary amount of capital is not forthcoming. If the lands are not ploughed in time, if the weeding is not done thoroughly, if the produce is not properly stored it is due to the scarcity of capital. In fact many of the ryots and their workers are obliged to go without proper nourishment just because they cannot afford to invest the necessary amount of capital upon their maintenance.

It has rather become fashionable in certain quarters to assume that agriculture is in a neglected condition and the present day agricultural methods are so primitive, unintelligent, unscientific and uneconomical mainly because of the ignorance, backwardness, stupidity, and short-sightedness of the ryot population. But it is high time to realize that

the present day defects of agriculture are more the effects of shortage of supply of capital than anything due to the bad morale and equipment of the ryots, although it is only too true that many of the ryots are unprogressive and unscientific in their methods of work. In fact it strikes any one who has had much to do with rural masses as rather wonderful that the ryots should be at least as persevering and progressive as they are, in spite of this crying need for capital. The impression has been borne in strongly upon my mind, in my surveys of the conditions of these seven districts that the insufficient supply of capital has cramped and dwarfed the growth of agricultural industry in almost every one of its aspects.

First of all, we must observe that mortgages have become rather a rarity and that fewer people are obliged to mortgage their properties as security for the loans drawn than was formerly the case. Owing to the increase in the level of prices for land and also for agricultural produce, the amount of security that a ryot can offer for the money borrowed has increased by leaps and bounds and therefore it has become possible for ryots to borrow much larger sums than formerly on the security of the same extent of land even without mortgaging their lands. On the other hand, land has become much more desirable as a form of property and an avenue of investment as a result of the rise in its prices and so the money-lenders have come to be willing to lend larger sums of money on much less assured security than formerly. Thus it has come about that in every part of this Presidency not only has the total amount of money borrowed increased but also the sums of money lent to individual borrowers have increased to an enormous extent. It must also be mentioned in this connexion that the rise in the general level of prices in the last forty years has influenced things in the same direction.

Secondly as people have found it more easy to borrow fairly large sums of money on mere pro-notes, many of them have got so intoxicated themselves as to borrow much more than is good to them. Hence the increase in the number of bankruptcies in the past five years. Many ryots have speculated in land value, and in business and have invariably come to grief causing havoc in the market for capital. Some mischievous and unscrupulous ryots have deliberately borrowed large sums of money from various money-lenders without one another's knowledge and have managed to swindle them. All these developments have steadily weakened the confidence the money-lenders had on the solvency of their customers and have therefore obliged them, as a step in their self-defence, to charge much higher rates of interest than was formerly the case.

The money-lenders would certainly have liked to secure themselves by asking for more substantial security in the form of mortgages of land, etc., but for the fact that the very same tendencies which have induced the ryot to borrow excessively have also encouraged him to cherish a very high idea of dignity, which prevented him from agreeing to any form of mortgage whatever. Indeed to mortgage one's land has come to be not only looked down upon but also abhorred and so, the only security, that an ordinary money-lender can think of, has come to be the higher rate of interest. The capital market has so far been demoralized that in the Northern Circars, it has become impossible for really credit-worthy ryots to obtain one-fourth as much credit as they can safely borrow, without having to agree upon uneconomic and undignified terms of contract. At one time a ryot would have preferred to commit suicide to becoming a bankrupt but in the last 15 years every village has seen four to six bankruptcies and so many ryots are quite unabashed even if they are obliged to distribute only eight annas in the rupee amongst their creditors. No wonder the money-lenders have come to demand very high rates of interest and such unjustifiable terms as discounting the interest in advance, taking a pro-note for a very much larger sum than what is really lent.

Hence, the Marwaris demand the security of the borrower and also another person who is known to them. This stipulation often leads the borrower into several unforeseen difficulties and losses because such people who offer additional security are either in a league with the creditors or are acting on their own for their own ends and therefore the borrowers are obliged to make rather a heavy payment for the accommodation given.

If in case the borrowers are able to get their own relatives or villagers to stand surety for them, they are obliged to borrow much less than what they really need, lest they should get their friends also into trouble.

Thirdly, the period for which credit is advanced has become very short indeed in the last 30 years. Previously, money was advanced on pro-note for a period of three years. Since much of the debt was secured by mortgages, the long period of 12 years with the additional stipulation of calculating compound interest once in every three years, was generally allowed. But with the growth of unpopularity of mortgages and the growing uncertainty about the assets of borrowers, the long period of 12 years has become less general and important. The Marwaris specialise in such short time credit as even three months, the longest term they agree upon being a year. The merchants have always been accustomed to charge compound interest and while they used to grant fairly longer time limit about 30 years ago, they are at present anxious to collect their dues and outstanding capital at the end of every year. Even the rich ryots who used to lend money for a term of three years are at present anxious to collect the money within 1½ years, although in theory, they agree to get paid within three years. Thus it has come about that the ryots are unable to obtain long-term credit half as easily as they used to do and they are obliged to pay much more than in the past.

Fourthly, the merchants who deal in *Jatti* or forward contract and *Namulu* are obliged to charge very high prices for the credit advanced owing to the very nature of the case. If one has to prefer one of these two systems of obtaining credit, one should certainly prefer forward contract because the margin absorbed by the merchant is very much less owing to the fact that the standing crop which is almost ready to be harvested offers a better form of security than the young crop which alone can be offered as security for *Namulu*. The money-lenders cannot be blamed in an unqualified manner because the form of security they are able to accept for the money advanced by them is so insecure, insubstantial and insignificant that they are obliged to run a very great risk. In fact it is more true to say that *Namulu* and *Jatti* are offered more on the personal security of the borrowers than on any other security because more often than not many of the borrowers fail to repay the debts in time. There are villages where the money-lenders have refused to accept *Jatti* or *Namulu* because the ryots have become thoroughly demoralized from the point of view of the creditors.

The borrowers are obliged to pay the enormous and almost unimaginable rates of interest just because they are unable to obtain credit on any other terms from any one else. It is not possible for them, unless there be a co-operative credit society, to pool their moral and material security and assets and standing apart, each by himself, as they do at present, they find that *Namulu* and *Jatti* are the only possible means of supply of capital.

Fifthly, no systematic attempt has so far been made by any agency for the supply of credit to enable ryots to obtain credit on the security of their stores of agricultural produce such as paddy, chillies, cotton, tobacco, ground, turmeric, jaggery, flax, horsegram, redgram and other pulses. It must not at the same time be thought that the Indian money-lenders do not play any part in this direction since many of the substantial ryots who purchase and store grain and other products do manage to borrow large sums of money from them. But there is this difference between the indigenous money-lenders, and the Imperial Bank: that whereas the former advance credit against the more substantial assets of the borrowers, the latter advances credit on the security of the grain stored. Therefore, it must be stated that at least 50 per cent of the agricultural produce of this Presidency is disposed of too early or consumed locally by the agricultural classes and that much of it can easily be stored and sold away for better prices later in the year, if real 'finance' against it is forthcoming through proper channels, i.e., banks.

There is not even one important agency for the supply of capital to offer credit in time to enable ryots "for capital and permanent improvements". It is true that the Government offers to advance credit for improvements under the "Land Improvements Loans Act" but the amount of money that it has advanced and the number of people benefited by its policy and the extent of land affected by the practical results

of it are so unimportant that one is justified in ignoring its part. Here and there one finds a few land-holders who are willing and who do manage to advance small sums of money to their tenants to enable them to effect the usual but cheap improvements upon the lands leased out to them. But this source of credit is not developed in any systematic manner in any village. A few ryots in every village do manage to borrow fairly substantial sums of money for effecting important improvements upon their land, such as raising or lowering the level of the fields, manuring the land well, from money-lenders, who however, do not offer credit with any such benevolent motive. If at all, a certain amount of money is borrowed for such purposes, it is got in the usual manner against the security of the lands owned by the borrowers.

Therefore there is no one who is prepared to bank upon the beneficial effects of the improvements effected upon the land accepting such improvements and their anticipated results as the necessary security irrespective of the other assets and liabilities which any ryot may have or may not have.

Lastly, the co-operative credit has so far been concerning itself mainly with the needs of the ryots "For expenses during cultivation", and with the temporary accommodation needed by ryots, and not with their needs for capital and permanent improvements, for the payment of land revenue and for the purchase of agricultural stock and so on.

Further it has only followed the lead, where it has ventured upon such a bold course, given by the Imperial Bank, in advancing credit on the security of agricultural produce in granaries. It is largely true to say that it has not till now succeeded in financing either the permanent improvements upon land or in making the money-value of the grain in stores available to ryots long before it is sold. It is only trying to make its long-term credit as costly as that offered by rich ryots by offering to grant it on the usual terms. The mortgage debentures, when developed on a large scale, may make the assets as represented by lands owned by ryots, liquid money which may be brought into circulation without the land changing hands actually as quickly as at present. So also should be developed 'Grain finance' paper which can come into circulation long before the grain itself is completely placed in the market. In the same way, the capital and permanent improvements effected by ryots should be converted in terms of money and such money or what it stands for should come into circulation long before such improvements begin to bear practical fruits.

Remedies.—First of all, the causes resulting in the higher rate of interest must be eliminated as far as possible, before the money-lenders themselves are prevented by legislation from charging more than a particular rate of interest. The ryots, who are at present unwilling to mortgage their lands as security for the money borrowed will have to be induced to become members of the co-operative credit societies with unlimited liability. Special favour should be shown to people, who are willing to mortgage their lands as far as stamp duty is concerned to induce more and more people to offer their land as security against the credit taken. The public conscience should be aroused so as to make it assert itself against the mischievous people who skilfully go bankrupt. These steps may be accepted as only a temporary necessity, until the credit system of the country is modernised.

There must be at least one co-operative credit society in every village, however small and backward the village may be, and total lending capacity of such a society shall be adequate so as to enable it to finance all the ordinary day-to-day needs of the ryots. It will then be possible to bring down the general rate of interest charged by the different classes of money-lenders as there will be an abundant supply of capital, seeking investment. The only objection that can be raised against this proposition is that there are not competent people in most of our villages to manage such societies efficiently. But if paid secretaries who are well-trained and who are in the Madras Co-operative service are appointed to administer the affairs of such societies on the advice and with the assistance of local panchayatdars, it is quite possible to provide every village with a co-operative credit society. As for the question whether there will be enough capital to finance all such societies, one need only

say that all the surplus money of the District Co-operative Urban Banks and the Central Co-operative Bank and the increasing rapidly with which the deposits are coming into co-operative banks will be of great use, provided the State and the State Bank are also anxious to assist the co-operative credit banks.

Thirdly, a legal provision will have to be made in order to fix the maximum rate of interest and to penalise every money-lender who has tried successfully or unsuccessfully to collect a greater rate of interest either directly or indirectly. Even attempts to avoid the provisions of such law, if proved properly, shall be made punishable.

Fourthly, the *Namulu* method of giving credit must be penalised and the forward contracts must be made to conform to certain general conditions which are proved to be beneficial to both the parties.

Fifthly, co-operative granaries must be built in every important village and where they cannot be organized, the local authorities, such as, the village panchayats or taluk boards shall build big granaries, in which the agricultural produce of ryots is stored in return for an economic or uneconomic fee. If this is done, it will be possible for the ordinary money-lenders, co-operative credit societies, joint-stock banks and the Imperial Bank of India to advance money against at least 75 per cent of the estimated value of the grain stored, thereby bringing into circulation about six months in advance a large quantity of money to ease the money market and also to enable ryots to maintain themselves, while the crops are on the fields and while the previous year's produce is in the granaries. Then it will be possible for ryots to avoid borrowing money on *Namulu*, and also to reap the advantages of a rise in the price of grain. But without such granaries, it will not be possible to expect the banks to advance very much more credit than at present against the grain in stores.

Sixthly, the banks, both indigenous and joint-stock must be prepared to finance the ryots on the security of the standing crops. Even if 50 per cent of the estimated crop is converted into agricultural finance, the ryots can be enabled to pay for the casual labour engaged, in addition to maintaining their cattle. Unless such an attempt is made, on the lines of the America Banking Policy, it will not be possible for most of the ryots to avoid unfavourable forward contracts and *Namulu* nor would it be easy for them to carry out the necessary improvements and changes as soon as is necessary.

Lastly, the permanent improvements effected upon land shall be capitalised and their value added to that of the land. The banks of all kinds must be willing to advance credit on the security of such improved land, so that at least 50 per cent of the capital sunk in improvements can be brought back into circulation long before it is actually recovered through more productive crops. At least the co-operative banks shall make it their duty to convert the capitalised value of such improvements into the form of debentures which can pass from hand to hand thereby increasing the quantity of credit available in the county.

2. *Marketing of agricultural produce.*—A detailed account of the method of marketing cotton, tobacco, groundnut and cholam in Salem and Guntur districts is given in my reports upon the Village Economic Survey.

Quite an appreciable quantity of the agricultural produce of many of the villages in Salem district is directly marketed by the men and women of the agricultural classes in the large number of well-organized and well-frequented shandis. An equal amount of grain, etc., is also brought with or without forward contracts by the Telugu Komatis and other dealers and the rest of such products to the itinerant dealers who go in search of agricultural produce.

In Coimbatore district also much the same method of disposing of the agricultural produce obtains, the only difference being that much larger quantities of such produce is marketed owing to the greater fertility of the soil, the richer crops raised and the financially stronger class of ryots.

In Guntur district, except in the case of paddy all the important crops are financed with the aid of credit obtained with or without forward contracts from the Vaisyas and other merchants who deal in such produce. There are as many village dealers as there are merchants and the former have come

to play as important a part as the latter. In fact, the former bear much greater financial risks than the latter, who are to a very great extent, dependent for their supplies of agricultural produce upon the former. Most of these village dealers are themselves rich ryots who wish to find employment for their money. It is therefore not surprising to find even as much as 75 per cent of the marketable produce being stored in a village in anticipation of the rising prices although most of the small holders are obliged to dispose of their produce not very long after harvesting the crops.

In the two Godavaris and Kistna, the village dealers do not play as great a part as their brethren in Guntur district. This may be due to the fact that the grains raised in those districts are not so much subject to the fluctuations in prices as the commercial crops chiefly raised in the uplands of Guntur district. The number of people who are able to store grain in anticipation of rising prices is very much smaller per 1,000 people in the two Godavaris than in Kistna and Guntur and the possibilities for there being a chance of making profits by thus storing grain is also at present very much less in the case of paddy and gingelly than in that of tobacco, chillies, groundnut, castor, horsegram and sunhemp.

Merchants.—As for the people who are interested in exporting the agricultural produce of these districts to other places, we have to distinguish between those who are primarily interested in internal trade (within the province or India) and those who carry on mainly foreign business. As far as the produce of Salem district is concerned, very little is exported to other countries as it is mostly demanded and purchased by Indian themselves in different parts of this Presidency. The merchants, most of whom are Vaisyas and Devangas, of Salem, Hosur and Tiruchengodu purchase the local produce the nature of which is indicated by the table supplied in my reports on the "Village Economic Survey" already referred to and export it to different parts of the Presidency, sometimes with the aid or the mediation of the Madras merchants and sometimes on their own initiative and responsibility. Even the merchants who have groundnut to export send it to the Madras merchants and have never thought of exporting it to other countries. Cotton and groundnut are the two important crops of Combatores district which are chiefly exported to other countries but this export business is mainly in the hands of the big firms, such as, Binnig & Co., Rally Bros., Volkart, Stane & Co., and the three spinning mills.

In the four northern districts comparatively very little is produced for export purposes. Tobacco, chillies, groundnut, gingelly and cotton are the only crops which are exported in any appreciable quantities to other countries and Guntur district seems to play a greater part in the supply of these products than all the other three districts put together and therefore it will suffice, for our purpose, if we confine our attention to Guntur district. The manner in which tobacco export business is organized is fully described in my paper upon "The Development of Tobacco Trade," and extract from which is given below:—

There are 214,000 acres of land under tobacco and 108,130 tons of tobacco was produced in 1922-23 in the Madras Presidency. The Guntur district has the greatest area and the biggest production of tobacco, one-third of the total amount of tobacco grown in the Presidency comes from this district. An attempt is made in this paper to show the recent developments in the organization of the tobacco trade of this district. I propose to describe the conditions in the tobacco manufacturing factories of Dindigul, Bangalore, Chirala and Madras in another paper.

The Imperial Tobacco Co., did much pioneering work in introducing the culture of a few American varieties of tobacco into the Guntur district. It has a curing factory and a cigaratto manufacturing factory at Chirala in this district. It has practical monopoly of the tobacco market of the district and has consequently exploited the ryots to a great extent during the last fifteen years. But Messrs. Naidu, who used to be the Commission Agent of an English firm, managed to buy up that firm about ten years ago, and ever since have been competing more or less successfully with the Imperial Tobacco Co. Some eight years ago Mr. Sh. Pillai came from the Tinnevely district and organized a firm as an agency of some Calcutta manufactures.

The demand for Guntur tobacco comes chiefly from Calcutta where there are many cigarette and cigar manufacturing works; Madras, where native cigarettes called *beedis* are produced, and Bangalore and Dindigul where there is a large manufacture of cigars and cigarettes. Quite a fair amount is also exported to England and Germany.

There are three exporting firms in addition to the Imperial Tobacco Company and Messrs. Naidu and Pillai. One of them is specially interested in exporting tobacco to Japan on a commission basis. Messrs. Naidu have an Indian agent in London specially to effect the sales there.

There is a badly organized market in Guntur and all but the Imperial Tobacco Company, go there to buy tobacco whenever they are hard pressed for supplies. The normal practice is to buy the tobacco in the villages. The Imperial Tobacco Company has four godowns at Guntur, Chirala, Paruchuru and Chilakaluripetta and buys from the abundant supplies of tobacco that are brought there by the ryots. The average price paid by the company to the ryots is very seldom lower than the local market rate, in fact the prices paid by other dealers in tobacco are always based on those of this company.

As long as there were only the Imperial Tobacco Company, Messrs. Naidu and Pillai in the tobacco export market speculation was kept within bounds, prices remained low, and the profits of the ryots kept small but steady. But the merchants of Guntur have tried their best to discover the ways of exporting tobacco, in consequence competition has been intensified and speculation more rife, and prices and profits greatly fluctuate. Until eight years ago, they were sending tobacco to places in India only. They were unable to export it to other countries for the following reasons:— (1) They were ignorant of the prices paid in the foreign countries for different varieties of tobacco, (2) they did not know how to prepare tobacco so that it could be acceptable in the London and other foreign markets, (3) they did not have any experience in pressing and baling in such a way so as to keep shipping freights low, (4) they were extremely nervous to leave so much money in the hands of foreign agents, (5) they could not find out who and where the tobacco merchants and brokers were in the other countries. Most of them were not educated in English and even those who knew English did not know that there were such things as Trade Directories, Trade and Industrial Journals and the Financial Newspapers. There was no local Chamber of Commerce and the Government did not publish any reports in popular form as to the state of foreign markets for Indian goods. The merchants who knew a little about foreign markets kept their knowledge jealously secret and (6) none of them were conversant with foreign exchanges. It is generally true to say that the merchants of most of the trading centres of this Presidency are in a similar state of deplorable ignorance.

But it is obvious that the larger the number of experienced merchants in the export business and greater the number of trading centres, the greater is the possibility for the producers to obtain better prices for their produce, for the workers to secure higher wages and for the country to become more prosperous.

Fortunately the numbers of merchants with such knowledge and experience has grown and most of them are now capable of and willing to export tobacco to England or Germany as soon as the margin between the home and foreign prices justifies such a venture. This development has naturally tended to raise the local prices for tobacco and the merchants of Calcutta and Madras who used to get Guntur tobacco at very low prices in the early part of the War are now unable to reap huge profits. But they still find it profitable to pay high prices for this tobacco rather than import American tobacco. This is one of the reasons why the price of a candy of semi-bright tobacco rose from Rs. 60 to Rs. 80 in the last ten years.

Side by side with this increase in the number of merchants and competition for tobacco, there has arisen the tendency for the bigger ryots of most of the tobacco growing villages to enter the trade direct themselves. They have begun, from 1916, to buy up large quantities of tobacco,

at the time of the harvest at very low prices from the other smaller ryots and to store it up in anticipation of a rise in price. As the competition between the merchants has increased the cultivators of tobacco have almost given up their former practice of going in search of prospective buyers. It is now the merchants or their agents who have to go in search of the producers. These village dealers are thus able to dictate their own terms and the costs of transport and the costs of risks due to rain and winds are thrown more or less successfully upon the shoulders of the merchants. They also do not sell all their store of tobacco at one price and at one time but at different prices and on different occasions. They do not compete with one another and they are often successful in obliging the merchants to buy their tobacco at the price paid to one of them.

The ryots who were in the habit of selling their tobacco at harvest time for very low prices in order to pay land revenue so improved their economic position in a few years during the War that they have been very unwilling for the last five years to sell their produce at harvest time. The dealers who are thus obliged to pay high prices to the ryots, are gradually taking to commission work in tobacco. When any Guntur merchant comes to buy tobacco, these dealers help them in buying tobacco and charge about Rs. 5 per candy or about 12 per cent commission. But they always try to get the best price for the ryots as they themselves have large stores of tobacco to sell. The merchants charge 2 per cent commission to all those to whom they supply with the Guntur tobacco. Thus about 15 per cent of the true value of tobacco is appropriated by the middlemen. It might be noted here that a great deal of speculative buying and selling in tobacco has set in of late years causing great fluctuation in prices which is detrimental to the steady development of tobacco growing.

As for the fact that the merchants find that to export tobacco to Europe is not so profitable as it used to be ten or even six years ago, we must observe that it is the defective organization which is the cause of most of the present troubles. It is true that the rising value of the rupee in relation to pound sterling makes it unprofitable for the Guntur merchants to export to England. But Imperial preference ought to be able to successfully counteract this defect. The causes for the present position are as follows:—(1) These merchants of Guntur do not know how to grade tobacco and are unable to prepare an exact sample of their consignment. It is because dealers in London and elsewhere had bitter experience in quoting prices upon the basis of the samples sent by these Indian merchants, that the Guntur merchants are obliged to export their consignments first and then to consider whether the prices offered are satisfactory or not. In fact they have no choice other than selling it at any available price. (2) The Guntur merchants have not realized that it pays better to send unadulterated tobacco and earn a name for honesty and sound business than to give occasion to foreigners to distrust them. They may make a profit once or twice by playing upon the credulity of foreigners but they cannot hope to build up permanent and profitable business on such fraudulent basis. (3) Most of these merchants have no representatives of their own in England or on the continent and so they have to abide by the tricks played by the foreign agents. These agents quote a low price from London and if the Guntur merchants accept it they sell the tobacco at a higher price and pocket the difference, but if the actual price realized when the consignment arrives at London falls below the quoted price, the loss is transferred to the account of the consignee. (4) Most of these merchants have not enough capital to carry on continuous export business with London. It often takes three months after the sale before money is paid by the London merchants and so five months usually elapse before the Guntur merchant is able to realize his money. In order that he should send a consignment of 50 bales of 250 lb. each one in every fortnight, he must have a capital of about Rs. 50,000. If he manages to get paid in London with one month's credit, he can manage to turn this sum three times in the business and realize at least Rs. 20,000 or 40 per cent profit. But as it is so often happens, many merchants are unable even to realize the 12 per cent interest which they must pay to their creditors. (5) They do not know how to hedge themselves against the fluctuations in the exchanges.

The mystery surrounding the manner and the method of carrying an export business has long ago been dispelled, though insufficiently and even ordinary but rich ryots are venturing into this business with plenty of confidence.

If at all the export business has any chances of passing into the hands of Indian merchants and ryots to any important extent in these seven districts, it is possible only in Guntur. In all the other districts the Indian enterprise has not yet begun to interest itself in the export trade. But even in Guntur, there are many difficulties in the way to be encountered and surmounted before success can be achieved. They are all portrayed in my reports already referred to. But I must take this opportunity to lay stress upon two very important obstacles. One is that most of the merchants are not in a position to command enough capital in time and at reasonable rates of interest and therefore the scale upon which they can carry on business is very limited and the price they have to pay for capital is prohibitive. The other difficulty is the rigidity of the system of granting credit, obtaining with the Imperial Bank of India. Big, well-established and well-known firms find it very easy to obtain large amount of credit on almost flimsy and insufficient security while newly established but substantial and trustworthy Indian firms and business men are not able to get at least one-tenth as much credit as they can safely be advanced. This distinction, which may be perfectly justified from the point of view of the bank, causes a loss to the Indian merchants both ways. By supplying cheap credit to more competent and bigger firms the bank enables them to compete with the Indian firms more easily and by failing to advance sufficient capital to the indigenous merchants, it disables them, though unintentionally, from competing with big firms.

As for the internal trade, the merchants of Salem, Coimbatore, Guntur, Bezwada, Rajahmundry and Ellore undertake to finance almost all the produce in whose movements they are interested. They obtain but comparatively little help from the Imperial Bank of India and most of the capital they use in their business is either of their own or borrowed from the Marwaris. In fact the Marwaris have a greater hold upon these numerous merchants than any other agent for the supply of capital. They are obliged to pay only 12 per cent interest if credit is obtained from any one among them but they have to pay anything from 18 per cent to the Marwaris for 15 days, one month, three months or six months credit granted to them. But just because the Marwaris are interested to make as much profit as possible in this money-lending business they take advantage of any stringency in the local money markets and collect such a high rate of interest as 50 per cent per annum for advancing credit for a period of even a week. Thus the dealers of towns, interested in the marketing of agricultural produce are starved as it were, for the lack of capital. It must also be confessed that not infrequently does a rich Marwari find sufficient accommodation for his needs for credit with the Imperial Bank at all times of monetary stringency and he in his turn lends out such money at 40 to 50 per cent, thereby reaping a heavy profit.

These high rates of interest paid thus at every turn by the village dealers, and merchants operating in the principal grain markets of these districts have a direct bearing upon the prices obtained by ryots for their agricultural products. The Marwari must maintain himself and his family on a very high standard of living in addition to making a decent profit for himself after paying the interest of 6 to 9 per cent upon the money he borrows and after providing for the losses incidental to his business of money-lending. The merchants and the dealers in their turn should be benefited correspondingly. All this money will have to be extracted only from either the buyers or the sellers. The exact amount of burden borne by either of these depends upon the elasticity of demand for and supply of the produce marketed. As far as the commercial products are concerned, the burden is borne mostly by the sellers and even in the case of the food products the sellers have to bear at least half the burden. Therefore it will be helping the ryots and also the buyers very much if the supply of capital is so far increased as to bring down the rate of interest to 12 per cent only under any circumstances. It will also eventually result in increasing the demand for Indian agricultural products in the international market.

Pools.—There seems to be great possibilities in the near future, "of forming pools and of co-operative effort generally in marketing produce." Groundnut, gingelly and castor are the best examples of crops in the marketing of which "Ryots' co-operative marketing and utilization societies" can easily play an important part if only the necessary willingness on the part of the ryots and the leadership from among the co-operators are present. The question of grading is very unimportant and the capital needed to purchase the necessary machinery for shelling groundnuts and for extracting oil out of groundnut and gingelly is not in any way beyond the means of our co-operative movement. Gingelly oil has an assured market in our own country and that for groundnut oil is fast improving. These two forms of oil can easily be preserved while their by-product, oil-cake has always an assured and growing market in our country. Similarly castor-oil and castor-cake have an abundant market in India alone. The producers need only concern themselves with the quantity of the seed they deliver to the co-operative society which will make itself responsible for the varying oil content of the seed of different localities. If it is practicable to introduce fairly reasonable distinctions in the prices paid for the produce of different parts, the necessary modifications can be made.

The ryots can conveniently be paid, about 75 per cent of the estimated value of the produce delivered, the balance being held up until all the transactions are completed in that year.

After all the by-products and the oil are sold, the financial gains or losses can be shared by all the members according to the quantity of the product delivered.

Paddy, cholam, horsegram and maize are very important products which are also amenable to co-operative marketing and utilization. But, although these products are non-perishable and can therefore be stored for at least two years, there is considerable difficulty in grading the different kinds of each of these products, necessitating much specialized and careful handling. It may not be therefore so easy in the near future for co-operative societies to undertake the marketing and utilization of these products. But considering the fact that at present not much careful grading is effected in their marketing, it may not be after all unprofitable and inadvisable for co-operative effort to interest itself in these products also.

There are anyhow insuperable difficulties in this country at the present stage of development of its co-operative movement, in the way of co-operative effort trying to make itself useful in the marketing and utilization of such perishable products as eggs, fruit and flowers.

But the most important and primary requisites for the satisfactory progress of co-operative movement in this direction are lacking. The ryots themselves have not been sufficiently educated to realize what possibilities there are for good in this direction of co-operative marketing of agricultural produce. Secondly there has not been made any successful experiment in this direction on an important scale anywhere in our country and therefore the necessary experience is lacking. Thirdly unless the co-operative movement is prepared to risk a portion of its reserves in this venture, it will be too risky to expect ryots to undertake the initial risks. Lastly the co-operative movement lacks lamentably the supply of people with business experience.

3. *Causes affecting the rise or fall of prices of land*—Detailed information will be found in the results of Economic Surveys, submitted as appendices, as regards the prices of land of different kinds. I need only give a list of factors which cause the prices of land to rise or to fall as the case may be. The value of land depends upon the following considerations:—

- (1) Proximity of the land to the village, to the lands owned by the prospective buyer,
- (2) special advantages possessed by the land or accruing to the buyer, such as the better supply of water for the land, fertility of the soil, the suitability of the land for the culture of valuable garden crops, the possibility of tapping useful subsoil water,
- (3) the nature of the garden raised on the land, the kind of well found in it,
- (4) the buildings constructed on the land,

(5) the possibility of improving the fertility of the soil by proper manuring and improvements,

Adverse factors.

(6) the owners being absentees, the land may be in a very bad condition,

(7) the land may be situated by the site of drain, a Paraiya hamlet, a donka, on which cattle graze,

(8) the soil may be poor, rocky, or sandy,

Non-agricultural but economic considerations.

(9) the nature of fragmentation of holdings and their effects,

(10) the size of average holding and the necessity for increasing the extent of land possessed by an average land-holder,

(11) the increasing or decreasing supply of money seeking investment in land from non-agricultural people,

(12) the nature of the desire of people for possessing land,

Quasi Economic Motives.

(13) the factious spirit among ryots forcing them to push up the prices,

(14) the nature of the competitive and acquisitive motives of the rural masses,

(15) the additional distinction associated with the possession of land,

(16) speculative element forcing people to deal in land values,

(17) the non-attractive character of other avenues for investment; and the risky nature of money-lending, and

(18) the permanent nature of land as against the temporary and short life, as it is supposed to be, of other means of property.

Indebtedness.

5. No estimate has so far been made of the indebtedness of the ryots in the whole of this Presidency. I have given a brief account of the results of the enquiries made by different investigators in several parts of this presidency in the Second Volume of "Economic organization of Indian villages", pages 70, 71 and 72. I give below the results of estimates made by me for three villages in Guntur district:—

Name of the village.	Population.	Debt per head.		
		RS.	A.	P.
Nidubrolu	5,000	80	0	0
Kokumanni	3,140	47	12	0
Uppalapadu and Takkallapadu	4,600	32	9	9

There have been made only three very important large-scale enquiries into the nature and extent of indebtedness of ryots: one on behalf of the Madras Provincial Co-operative Union, another by Mr. Holdsworth, I.C.S., and his assistants in the special settlement party and the third by the Economic Enquiry Committee of the Madras Legislative Council, appointed to enquire into the economic conditions of the ryots in the districts of Kistna and the two Godavaris. The survey made by Provincial Co-operative Union confines itself with the property statements of some of the co-operative credit societies in Chittoor district and is therefore limited in its scale. The enquiry conducted by Mr. Holdsworth, I.C.S., is of very great value and has much scientific interest, in that complete statistics were gathered, though for a few villages for mortgages registered in the periods of 1900 to 1904 A.D., and 1920 to 1924 A.D., and statistics of indebtedness were obtained for some ryots of over 70 villages. But the survey of indebtedness that is in progress under the direction of the Economic Enquiry Committee is not only much more intensive in its method but also extensive in its scope. Nearly 100 villages are selected for detailed investigation to obtain complete statistics regarding the indebtedness of ryots. It may be possible to make successful attempts to estimate the *per capita* indebtedness of the ryots of Enamadala and Pedakancheda in Guntur district and the results are embodied in the appendices.

Methods of enquiry.

Methods differ according to the men who conduct the surveys and the men whose affairs are enquired into. Mr. M. L. Darling has carried out his intensive survey of the Punjabee's debt.

Mr. Jack, I.C.S. (retired), has conducted a survey into the economic conditions of a Bengal district with the aid of some English educated young men. Dr. Gilbert Slater got his studies made by some of the students of the Madras University and Dr. H. Mann has tried to study the rural conditions with the help of two able Indian assistants. Messrs. S. K. Ayyangar of Hyderabad has also carried out surveys on a similar method. Mr. D. Narayana Rao, the special officer for cottage industries, has also had the assistance of tahsildars in his surveys. In all these cases much reliance was placed by both Indian and English investigators upon the oral evidence was placed by individual ryots, their friends and leaders, in addition to the local officers. All these investigators knew that there was some risk in accepting all that was reported to them and that this method of enquiry, unrelated as it is to any published and authentic source of information, is liable to lead them into trouble. But they chose to depend upon their common sense and general knowledge of the rural conditions in order to be able to distinguish between reliable and unreliable information. In my own economic surveys, I have followed only a slightly different method. Instead of depending upon any agents to get me information, I have myself tried to visit every house and to accost every ryot whose affairs were enquired into. I have always taken care to see that there was a gathering of four or five ryots, so that the statements made by any ryot can be tested then and there. In addition to this the local leaders were consulted in order to enable me to get an idea of the general economic conditions of the villages selected for my survey. Of course the knowledge of the local village officers and the Revenue investigators and veterinary inspectors was always availed of; what is more important, the khata accounts kept by a few ryots, the wages accounts kept by them and others and the family accounts maintained by some ryots were examined in every village in order to check, with their aid, the general and particular information given to me by ryots and workers. The seven deltaic villages of the first survey (1924-1926), the three dry villages of the second survey (1926-27), were known to me for a number of years and I have been acquainted with the ryots of these villages for a long time. The four villages in Salem and Coimbatore districts (1928), the two villages on the Nilgiris (1928), and the two villages in the upland part of Guntur district (1928), were selected by Government for economic survey and I was deputed to conduct that survey. I was able to stay in each of these villages for at least a week and I was everywhere assisted by the village officers, the revenue inspectors and the local leaders in obtaining the necessary information. I can therefore claim to have taken as much care as an experienced investigator can be expected to take, to elicit the proper, honest and accurate information and to study several aspects of the villages and their problems.

The results of the last three surveys made on behalf of the Madras Government are submitted as appendices to this statement, in view of the fact that most of the statements made herein find their support in the results of those reports.

Estimate of indebtedness.

If an estimate for indebtedness of the ryots and others of this presidency is to be attempted, the following sources of information will have to be utilized:—

- (i) Mortgage deeds registered in the last five years.
- (ii) Money cases brought to the notice of, and decided by, the courts (including the village panchayat courts).
- (iii) Statistics submitted to the Income-tax department by the money-lenders.
- (iv) Property statements of the co-operative credit societies.

But information gleaned through these sources cannot be complete. Most of the ryots who are indebted do not mortgage their properties. Many cases of indebtedness are settled without ever reaching the courts at all. The money-lenders who submit information to the income-tax officers are interested in giving a false idea of their dealings. The property statements of the co-operative credit societies underestimate the indebtedness of the members of the societies while such members form but a part of the people of the villages in which the societies are found. Anyhow the indebtedness indicated by these property statements is a reliable basis with whose aid an estimate for the total indebtedness of the people of the villages concerned can be attempted. The indebtedness of such members cannot be less than what is indicated by the statements because no member has been found by any co-operator to be overestimating his debts.

*Purposes for which debt was incurred.
Details for 10 Chettis of Gudalur on the Nilgiris.*

Purpose.						Number of cases.	Amount borrowed. rs.
Family expenses	2	45
Cattle	3	330
Lands	2	150
Marriage	3	250

Details for Salem and Guntur districts.

Purpose.	Villages.					Serial number.
	Kela- mangalam.	Kumara- palayam.	Peddakan- cherla.	Enamadala.		
	PER CENT.	PER CENT.	PER CENT.	PER CENT.		
Purchase of lands	39.1	33.0	28.8	21.4		3
Improvements of lands .. ..	..	..	..	13.7		4
Cattle .. ..	..	..	9.05	..		5
Marriages	34.5	11.4	..	20.4		6
Temple expenditure	13.2	18.5	54.0	30.0		7
Other causes	13.2	25.1	8.15	1.5		8
Number of indebted	42	39	153	38		2
Number whose accounts were gathered	96	86	223	66		1

The following were the causes for the loss of property sustained by some of the Tevars of Suler in Coimbatore district:—

- (i) Marriage and family expenses,
- (ii) drink, gunza and local fund contract,
- (iii) women, contract and women,
- (iv) drinking and women,
- (v) cultivation,
- (vi) family expenses and building temple,
- (vii) drink, women and extravagant living.
- (viii) family expenditure.

The following list indicates the causes for the downfall of some Brahman families in the same village:—

- (i) Inherited debts.
- (ii) Family expenses.
- (iii) Women house, family expenses.
- (iv) Family expenses.
- (v) Do.
- (vi) Son spent money on women, constructed a house.
- (vii) Inherited.

These details give us an idea about the causes for which rural people borrow money. It can be seen that the rich Tevars and Brahmans of Suler have wrecked their fortunes upon thirsty avenues of expenditure such as drink, gunza, women extravagant living, while the ryots of Salem and Guntur have had to borrow money largely to improve their lands, to increase their landed property, to balance their family budgets and to celebrate the marriage ceremonies.* One must not think that all the money borrowed for the maintenance of families is wasted away upon extravagant living. For in almost all cases, the ryots had to borrow these sums just because their agricultural incomes were not enough to enable them to balance their family budgets. The fact that so many devote so great a portion of their debts to marriages shows that except in a few cases where the expenditure bordered on extravagance, the ryots were not able to save enough to provide for such exceptional and yet unavoidable expenditure and are therefore obliged to borrow for the purpose

Rates of interest.

The Chettis of Gudalur are obliged to pay a rate of interest which is never less than 18 per cent per annum, except when they borrow money from Government. The ryots of Kumarapalayam and Kelamangalam in Salem district have to pay 10 to 18 per cent interest on their debts. But the depressed classes of Kumarapalayam and its hamlets are obliged to pay 14 per cent to 60 per cent interest, the most common rate being 30 per cent. The Devanga weavers of Kumarapalayam had to pay 12 per cent to 60 per cent interest, the average rate being 20 per cent. Further details are to be found in the appendices. It is interesting to compare these very high rates of interest to the rates prevalent about 40 years ago in a village in Guntur district. Out of the 156 people who were lent money, only two had to pay 15 per cent, while many of the Kshatriyas had to pay only 9 per cent, the most common rate being 12 per cent. (Volume II, page 108.) This certainly supports my statement made earlier in this paper, that the general rate of interest is higher than what it was 30 years ago because of the shortage of supply of capital.

Methods of calculating the rate of interest.

As far as the depressed classes of Salem and Coimbatore districts are concerned, a particular amount of interest is charged for every rupee lent for a period of a week or a month. Sometimes, one-fourth of an anna is charged per rupee per day. On the Nilgiris, the Badagas are charged 12 per cent to 18 per cent interest upon the outstanding debts contracted in the course of the year, from the time of the harvest when the accounts should be settled with the Muhammadan money-lenders. On the Gudalur side, the money-lenders accept bonds from the Chettis to the effect that the latter should deliver so much grain per rupee as interest. Sometimes payments are made in satisfaction of the principal, over a number of years in terms of grain itself. Some money-lenders take possession of the land of the Chettis until the debts are cleared, after agreeing to deduct every year a particular sum as rent for the land. It is not difficult to find cases in Kotagiri and Gudalur in which the land is alienated to the creditor, on the private agreement that it shall remain in the enjoyment of the borrowers, who can regain the land only after clearing the debts. In Salem district the method of deducting the interest in anticipation of the coming year, before money is actually lent, is quite popular not only in the case of the ordinary Vellala ryots but also within that of the merchants of Salem town when they are in need of money. Advances of money are given to Devanga and Padmasale weavers and Adi-Dravid and Sudra farm-servants, free of interest in order to keep them ready to work for certain employers. Similarly many ryots are advanced fairly large sums of money at 12 per cent interest on the understanding that they shall sell their agricultural produce through their creditors. Several ryots agree to sell their produce very much in advance of the harvest on forward contracts. The Marwaris manage not only to charge compound interest but also to collect the interest in advance of the period for which interest is to be paid. Moreover, they force their customers to issue promissory notes for the principal at a much higher rate than the original rate, if in case they fail to repay the sums by the stipulated date.

Certainly many farmers are obliged to sell away their lands to clear off their debts. Many of them even become completely landless and begin to rent others' lands. In Kakumanu alone (Guntur district) there are now 200 landless Kammas most of whom once had lands. In most cases, lands pass into the hands of the creditors although in exceptional cases such as the Badagas and the Kapus and Edigas of Bandar taluk, it is found more profitable to let the lands remain in the hands of the borrowers, whose labour is found to be a more fruitful source of income to the money-lenders than their land.

This tendency for lands to pass into the hands of the creditors has no doubt a bad effect upon the incentive to work and to save of the borrowers. They find that however much they may work, their lands cannot be got back and so they lose their hope in life. At the same time, most of them strive hard at least to maintain themselves as cultivators without having to work as coolies and therefore they do work much more hard, though much less enthusiastically. Many of such unfortunate people who have

lost their lands begin to work more hard and more energetically, because they suddenly come to realize their present plight, while formerly they were content to draw upon their assets represented by the lands possessed. On the whole it may be said that the fear that one may have to lose one's all acts as a greater check upon one's incentive to work and save than one's consciousness that he has lost all his lands. But unfortunately the number of people who are the brink of bankruptcy is very much greater than that of those who have lost theirs.

Financing of handloom weaving industry.

Nowhere in the whole of these five districts can any of these merchants find any accommodation with any bank whatever. Every one of them is obliged to keep five to ten thousand rupees locked up with their customers free of interest for a period of three to four months.

Everyone of the centres we have discussed, needs more than ten lakhs of rupees and some of them like Adoni and Madhavaram want 20—30 lakhs of rupees to finance and if their business were to be developed to its maximum capacity nearly six times as much capital is needed and it is not necessary to produce any great proof to say that such money is not available at present in any of these centres. Therefore, we need a special bank in the Ceded districts to finance the weaving business. The bank would also be able to realize very high dividends in view of the fact that there is an extensive credit business done in this industry and that very high rates of interest prevail at present which are only an outward demonstration of an unsatisfying and unsatiable demand for money.

A similar bank is needed for the Northern Circars and at least one more for the Southern districts in order to finance this industry properly.

Subsidiary industries.

6. I submit my paper upon agricultural industries as an answer to the question No. 6. The paper upon hand-spinning and the paper upon the "Effects of public expenditure upon production" are submitted as appendices* to support some of the statements made in this section upon "Agricultural Industries."

An average cultivator of the deltaic villages which produce only one paddy crop per annum finds employment for only six months in the year on his or others' lands. Usually such a cultivator has not enough lands to keep him engaged for six months with the consequence that he is obliged to seek work on others' lands. As he is scarcely in a better position than an average Sudra worker, as far to get employment is concerned, the following quotation made from my own book "Economic Organization of Indian Villages, Vol. I" can be safely taken as applying to his conditions. "We find from the fifteen family budgets of Panchamas collected for this enquiry that a worker got employment on the average on 231 1/5 days and was unemployed for more than 3 1/2 months in the year. But the budgets of six annual servants are included in our enquiry and so actually the amount of employment secured by a wage-earner must be much less than 8 1/2 months in the year. On the other hand, an average Sudra worker of the four families whose budgets are collected, was employed on 212 1/4 days in the year. We can, therefore, safely conclude that an average worker in these deltaic villages is unemployed for more than three months in the year."

A cultivator of villages which are chiefly dependent upon dry crops is employed for more than ten months in the year, provided he has 20 acres of land. But an average cultivator fares little better than an average wage-earner and is "unemployed for four months and is underemployed for two more months in the year."†

There is practically nothing to do for such average ryots or workers during the slack periods. But it must be admitted by every one who has watched these ryots from close quarters that there is practically no desire among them for additional employment. It is a problem for a psychologist to find out the causes for this apathy. I am apt to think that the consciousness that there is no possibility for finding additional employment, the absence of any efforts made by any body of people to create such employment and the lack of any agitation to press home the advantages of continuous employment and the disadvantages of seasonal or other periods of

* Not printed.

† Economic Organization of Indian Villages, Vol. II.

unemployment are the chief causes* for the existence of this apathy and the ignorance of ryots as to the causes and dangers of unemployment.

Subsidiary industries often fail to yield economic wages to these workers. Yet people are glad to work in them as they realize that small earnings, even though they may not constitute an economic wage, is better than no earnings, during periods of unemployment or under employment. The realization of this fundamental fact underlying the economics of subsidiary industries is absolutely necessary before any progress in the development of such industries can be made on a sufficiently national scale.

There are various means by which Government can encourage the adoption of subsidiary industries. First of all, propaganda work must be undertaken on a national scale preferably through the medium of "Village Agricultural Panchayats" which are proposed later on in this paper to make the ryots and rural workers realize that it is necessary and beneficial to employ their spare time in working in some subsidiary industries. In this connexion the experience of the *Khaddar* movement is invaluable. *Khaddar* enthusiasts found that though ryots, agricultural workers and their women realized the monetary advantages of hand-spinning, they were unwilling to take to that work because they were unable to get over their lethargic habits. It is necessary to remove this unwillingness to work by infusing into the masses a desire for additional comforts.

Secondly, people must be convinced that what they produce will find a ready sale in the market. Hand-spinning went on merrily in the Ceded districts as long as there were Congressmen ready to pay the workers wages and to give them additional work regularly. But as soon as the spinners were left to themselves to find a market for their yarn, the industry collapsed lamentably.* Thirdly, the Government must develop a policy of giving some 'relief' to the unemployed and also to the people who are unable to work. Though there are at present many unemployed, they can all be turned into active workers if some encouragement is shown to them. The workers and ryots who are really anxious to work but are unable to find work will also benefit themselves to a great extent if such encouragement is given to them. In England, the State has insured the workers against unemployment and has a scheme of giving relief when it cannot provide them with any work. It may be impossible for the Government in India to insure its people against unemployment under the existing state of general poverty but it is absolutely necessary to do two things; first, to give subsidies varying in accordance with the amount produced in industries which are organized by voluntary bodies such as the *Khaddar* Boards; second, to organize on its own initiative co-operative societies both to finance and to market the products of such industries. In that case, *Khaddar* Boards and such other institutions can undertake to run certain subsidiary industries such as hand-spinning, and hand-loom weaving. Village agricultural panchayats and other semi-public organizations can encourage the development of industries such as knitting, darning, tailoring, lace-making, on the lines of the various Missionary industrial schools existing in the Madras Presidency.

Hand-spinning which is dismissed without any consideration in the Government circles can bid fair to become a very useful and profitable bye-employment on a national scale as very few other industries can. There is a constant and large demand for the products of this industry in this country and it is sure to rise as more and more people take to wearing additional clothing. Workers, especially women, can find sufficient employment in this subsidiary industry for many days in the year and they can work in an environment most congenial for Indians. The idea of this industry is economically sound and I do not see, as a student of Economics, any objection to the State subsidising this industry, if it is organized on a national scale by voluntary workers.

It must be realized that different kinds of work must be found for different kinds of workers, i.e., men and women. Additional employment can be provided for unemployed men by developing schemes of laying out arterial roads, by constructing bridges over the innumerable streams and canals that we find in the country, by laying branch and feeder railways,

*A report submitted by the author to the Oxford University on the "Economic Organization of the Cotton mill industry of Madras Presidency."

by digging water-ways so that water transport can be developed, and by such other schemes as may in course of time increase the productive power of the country. The primary responsibility of investigating into the possibilities for additional employment must rest upon the Local Boards and Village Agricultural Panchayats and the various Federations and the State will be required to subsidise their various schemes of work.

It was found in the course of my enquiries into the economic conditions of labour of both deltaic and dry villages that workers could have got more employment and could have thus lessened the amount of their unemployment if they had had opportunities to move into one another's regions in search of employment. I think this is a common feature in the economy of most of the villages in this Presidency. The only way to minimise unemployment of workers of different regions of the country is to establish Employment Exchanges which will have to work in co-operation with Village Agricultural Panchayats. These Exchanges will have to inform workers about the possibilities of additional employment at various seasons and to arrange with the employers for paying the railway fares, etc., to the workers.

We must organize co-operative societies to manufacture lace-goods, fancy materials, cane-chairs, embroidered goods, brushes, pen-knives, dolls and such other things by workers who labour in their own homes. Baskets into which various designs are worked can also be produced. In addition to all these, poultry farming, bee-keeping, fruit-growing dairy-farming and manufacturing sweets, cakes and preserved chutnies with starched rice, rice and wheat flour and other things can be carried on by village women.

There are, however, a number of obstacles in the way of expansion of the subsidiary industries, said to be suitable for men and women. (1) The incentive to work is not so strong among the rural masses of India as it is among English urban workers. They need, as an Englishman once put it, 'A match to put in them' and all possible encouragement should be given to persuade them to realize the advantages of continuous work. (2) The absence of co-operative societies on a sufficiently large scale to organize the marketing side and the ignorance of the masses about the economic potentialities of such industries are some of the most important causes for their slow growth. (3) The rural masses are devoid of business skill and are ignorant of the methods of organizing new industries. (4) Vaisyas who are the hereditary business-men of the Andhra country are lacking in imagination in seeing the possibilities for any new industry and in constructive skill in organizing such an industry. (5) Individual workers are unable to invest any money in these industries and are unaccustomed to the methods of co-operatively working and marketing their goods. (6) There is an extraordinary dearth of institutions in the Hindu society for encouraging thrift, industry and economic progress. The incentive to earn something, to save as much as possible and to get an additional income per month is as strong among Indian women as it can be wished for but there must be some organization such as a Women's Institute to give a chance for such incentives to take practical effect.

Government can do one of two things, to establish "industries connected with the preparation of agricultural produce for consumption," i.e., by directly establishing pioneer factories or by guaranteeing a certain amount of dividend upon the sums invested in private companies which are controlled by the Government. "In connexion with the development of industries the policy of Government has been (1) to start pioneer factories with a view of ascertaining the commercial possibility of manufacturing articles not produced in the Presidency (Madras) and (2) to grant State aid under the provisions of the Madras State Aid to Industries Act to private enterprise for starting new industries."

Though the Industrial Commission of 1916-18 supported the theory of Government Pioneer Factories, the Madras Government has recently decided to give up such a policy hitherto followed. It says "It is now becoming clear that the prospects of the department's (Industrial) efforts in promoting the initiation of large industrial undertakings in this Presidency involving large capital, the use of complicated machinery and competition in the world markets and requiring highly specialized knowledge are very bright for the present." But it was found as a result of my enquiries into the economic organization of the cotton mill industry of the Madras

Presidency that many mistakes were committed by many of the managing agents of cotton mills because of the lack of any organization to inform them about the proper methods of organizing and to guide them in running such mills. In fact, it is necessary that the Department of Industries must concentrate much more attention upon the possible ways of guiding the cotton mill industry than at present. Moreover my enquiries into the "Economics of the Hand-loom Weaving Industry" show that the department must come forward to help the industry much more directly and on a vaster scale than at present. Hence though the preference shown by the Madras Government to agricultural industries is to be recommended, its proposed neglect of the present and future industries, run on a large scale, cannot be said to be in the best interest of the country. This so-called 'rural bias' of the Madras Government which has manifested itself at the eleventh hour—for the policy was changed only in October 1926—is sure to militate against the best interests of the rural public for the following reasons:—

(1) Government cannot do anything to establish "industries connected with the preparation of agricultural produce for consumption, such as oil-pressing, sugar making, utilization of wheat-straw for car-board", because such enterprises cannot come under the purview of the department whose attention according to the proposed policy of the Madras Government "must be directed mainly towards the organization and development of small industries preferably on co-operative lines".

(2) To take oil-pressing as an example, only Rs. 53,94,000 worth of oil was exported as against Rs. 7,56,98,000 worth of oil-seeds in 1922-23. It does not need much argument to realize that much additional employment can be afforded to the rural masses if all the oil-seeds exported are utilized to manufacture oils and cakes in our own country with the most up-to-date machinery. Taking cotton seed again, the cake is much more valuable as cattle-food and the oil is much more readily marketable than seed. Cotton-oil is used in the manufacture of soaps, candles and lard and it is quite possible to produce all these in India with our cotton-oil, provided we have the necessary industrial organization. But private enterprise in rural India is specially shy and is very conservative in its outlet. The Industrial Commission recognized this fact and, therefore, recommended that the Government should come forward not only to give technical guidance but also to guarantee a certain amount of dividend. I put the proposal of a cotton-oil pressing mill before many big capitalists of different districts of the Andhra country but none of them was courageous enough to venture into this highly profitable industry. Hence it is unwise to decide that "pioneer manufacture will be mainly left to private enterprise in the future."

It is, therefore, absolutely necessary that the Government should come forward with well worked-out schemes for the establishment of factories or mills to utilize the agricultural produce of the country, to turn out manufactured goods and thus to provide additional employment for the rural masses. It should be prepared, moreover, to guarantee a fixed rate of interest upon the capital invested in such enterprises in addition to granting them loans at specially favourable terms under the Madras State Aid to Industries Act.

Certainly, much additional employment can be created for the rural masses if industrial concerns are established in villages. The establishment of rice mills in the deltaic villages and ginning and pressing mills and groundnut shelling mills in the dry villages has undoubtedly benefited the rural masses. In Bulgaria co-operative societies are minimising the rural unemployment by running their various mills in villages. It was reported that rural unemployment was considerably decreased in that part of Norfolk where the sugar manufacturing factory was established. My own enquiries into the economic organization of cotton-mill industry have revealed the fact that the agricultural workers and small ryots of villages around Pandalapaka in Godavari district have been able to augment their family incomes by getting their hitherto dependent males and females employed in the local cotton mills. So also the rural masses of the villages around Coimbatore, Madura and Koilpatti, where many cotton mills are situated, have benefited themselves to a great extent. Therefore, it must be the duty of the Government to extend all possible encouragement to industrialists to start their mills in villages. There are several ways of inducing them to establish their mills in villages but those can best be

found out if the disabilities to which such mills are subject are first discovered. * (1) Industrialists find it very difficult to get their shares subscribed to, if their mills are situated in villages. To remove this disability, Government will do well to guarantee a certain low rate of interest upon the capital invested after satisfying itself as to the practicability and profitability of the concerns. (2) What are called external economies which play such an important part in the life of localized industries will be lost to some extent by mills situated in villages. To obviate this disability the Government must hold exhibitions at regular intervals in a year in a particular chamber in order to advertise the commodities produced by the different mills or factories. The Department of Industries must supply the latest scientific and commercial information regarding different industries to all the factories at nominal fees. (3) Factories established in distant villages have to incur large expenditure upon transporting their goods either to the internal markets or to the ports from which they are exported. To remove this difficulty Government must come to an agreement with the railway authorities so that special rebates may be given on the exports or imports of the factories in villages. It is through these and such other methods that Government can persuade successfully the industrialists to start their mills in villages. On the other hand, the industrialists will only be too glad to take advantage of such offers from the Government as they can exploit cheaper and more docile country labour. There is less probability of labour disturbances and the absenteeism of labour in villages than in towns moreover. The prices of house-sites and the construction of houses are lower there.

The latest communique of the Government of Madras published in the *Hindu* on 24th October 1926 states among other things that "It is essential that early attention should be paid to the improvement and development of home industries". It has given a sufficient answer to the question whether "a more intensive study of each rural industry" is necessary when it has decided upon a "survey of cottage industries in the Presidency existing and potential". It is true that "the revival and extension of rural industries on an economic footing is a desideratum of any policy which contemplates the extension of arable farming".

To take hand-loom weaving industry for example, though Mahatma Gandhi is of opinion that it cannot be made to serve as a subsidiary industry on a national scale the Department of Industries of the Bombay Government has been trying more or less successfully to introduce it into the economic life of a ryot. More than 20 Panchama families of Kaku-manu, in Guntur district, eke out their livelihood by plying their looms whenever there is no work on the fields. Similarly, many workers of most of the villages in the deltaic parts may be enabled to earn something in this way. But it is found through my enquiries into the economic organization of the hand-loom weaving industry that intensive study is necessary in order to find out the remedial measures that should be adopted to develop the technical, commercial and financial aspects. It is essential that experiments are made to see whether the tools and appliances of the like industries can be improved. The past experience of the Department of Industries of our Presidency shows, as far as the hand-loom weaving industry is concerned, that much can be done in this direction and the general adoption of the fly-shuttle by weavers is an eloquent proof of the potentialities of such experiments. I found that a special Presidency Weavers Bank was necessary to finance the hand-loom weaving industry on a large scale. It is also found that the Government must publish regular periodicals upon the commercial aspect of the industry, organize exhibitions and appoint Trade Commissioners in different parts of India and in other countries.

Fancy things can be manufactured by potters if they are trained to prepare suitable earth, to use chemicals suitable for their work and to work out new designs. China is somehow very poor when it is produced in villages by local potters. Though an ever increasing quantity of China manufactured in Pondicherry finds ready market in the Andhra country, not even a single attempt has been made in the Andhra districts to produce articles similar to those of Pondicherry. It is, therefore, necessary to carry on an intensive study of each rural industry in order to find out the possibilities for the proper development of devolutionized rural industries in which both full-time and occasional workers can find sources of decent living.

* For other particulars, see Tinnevely Gazetteer.

I have had exceptional opportunities to find out the different commodities which are at present produced by cottage workers in different parts of the Madras Presidency and the various things for which there is much demand in the country. So I propose to review the possibilities for the development of different rural industries which in my opinion are capable of affording much additional employment if they are properly organized.

(1) The numbers of sheep and goats have been on the decrease throughout the last 20 years. The cyclone of July 1925 resulted in the death of many thousands of these animals. No attention is paid at present by the Gollas (hereditary people who rear these animals), to breed different kinds of animals which excel in yielding the best wool or mutton or most profitable manures or leather or milk. If proper scientific help is given them and if the economic demand for any or all of these by-products is thoroughly exploited, there is a great future for this industry. Dairy farming of these animals can by itself yield extraordinary results as there are millions of people like those of Kakumanu (Guntur district) who are unable to pay enough to get the dairy products of cows and she-buffaloes and are so anxious to buy those of these animals. Demand for blankets manufactured at Ellore, Warangal and Masulipatam is still very large and that for the Ellore and Warangal carpets is on the increase. More and more people will take to meat eating if mutton can be supplied at reasonable rates. So the Department of Agriculture and the allied departments must pay special attention to develop this industry.

Breeding pigs can also become very profitable if the bad association of this industry are removed and if the pigs are reared on specially scientific and decent methods. Oil can be manufactured from the fat of pigs and there is a great demand for it. Pork, ham and bacon can be manufactured and exported. The demand for the manure of pigs is ever on the increase and the current prices for such manure (Rs. 16 for cart-load) must be enough to encourage the development of this industry on a much vaster scale than at present, if only it can be raised from the general discredit to which it is subject. Government must encourage ryots, Panchamas and Erukulus to breed these animals on scientific lines.

(2) Fishing industry must be given some encouragement. Fishing may be made as fashionable a thing as hunting. There are already people who dry fish and sell them to rural public. They must be helped to carry on their work on a much larger scale than at present.

(3) The various and useful things that can be produced from the different parts and the produce of date palm, palmyra, coconut and plantain trees must be manufactured on a much vaster scale than at present. The fancy baskets made of palmyra leaves and sold at Rameswaram and in Tinnevely district are coming into general use. The demand for cord, made of coconut fibre, is increasing and the thick bark of plantain trees also yields very good fibre which is a proof against sea-water. Mattresses manufactured with the leaves of coconut and palm trees are demanded in ever larger numbers. Banana fruit can be preserved and exported in the form of flour. Its bark may be used in manufacturing small baskets. Jaggery from toddy, preserved juice, palmyra fruit and mangoes and cider from bengal gram can be produced on a larger scale than at present.

(4) Tamarind and some acids can be produced on a larger scale than at present from the juice and seed of tamarind fruit respectively. Gum can be marketed in greater quantities if it can be gathered carefully from the trees that yield it and if such trees are grown in larger numbers than at present. There is a great demand for gum in America where people chew it and in England and the Continent where it is used in the manufacture of sweets.

(5) Canning industry is very little developed in India. Ryots are accustomed to the drying of vegetables and fish in order to preserve them but are ignorant of the present-day methods of canning fruits, etc. If the industry can be properly developed with the active co-operation of the Government then the profits of ryots who grow gardens will increase to a great extent and greater employment will be created for the masses. Marmalade must be produced from oranges and jam from mangoes, cherries, oranges and the various kinds of fruit which are specially grown in the Andhra country. Many cottage workers can find additional employment if this branch of industry is properly developed.

(6) Most of the Panchamas and other agricultural workers have no houses worth the name and they live in huts constructed on low-lying sites

in the most unhealthy parts of a village. They are consequently subject to frequent attacks of epidemics. The Labour Department of the Madras Government has been trying to get house-sites in healthy parts for some workers in a few districts. But this work must be taken up on a larger scale and in a more systematic way by the Local Boards whose primary duty it is to see to such needs of the people. If a proper housing scheme is worked out, as it ought to be, and if work is begun on a large scale many thousands of workers will find additional employment in each district for a number of years.

(7) District Boards must be allowed by the Government of India and the railway authorities, to invest their money in constructing and running feeder railways so as to develop the productive resources of the country. If such a change of policy is brought about most of the District Boards must develop their schemes of railway construction. These boards must also be empowered to develop bus-services and to construct additional water ways in the country so as to develop the water transport. Then much additional employment will arise for large masses of rural workers.

(8) Men and women who keep small shops in Benares and women chiefly Muhammadans in Washermanpet of Madras manufacture cigarettes and beedis. There is a very good cigar manufacturing industry at Dindigul and Bangalore. The demand for beedis comes chiefly from the Ceded districts and that for cigars from Europeans and others who have adopted the European fashions. Cigarettes, cigars and beedis can be manufactured on a much larger scale than at present as the demand for them is on the increase.

(9) Glass chimneys and lantern glasses are now manufactured in Calcutta and iron and tin plate works exist in the Himalayan delta and so it is quite possible to develop a cottage industry for manufacturing lanterns, looking glasses and glass jars.

(10) People who come from the hills sell things manufactured out of bones and ivory. Quills and combs, bangles, cigarette holders and pen-holders may be produced by women in villages, if a proper supply of raw materials is ensured.

(11) My friend Mr. Adinarayana, B.Sc. (Agr.), who has a decent amount of research to his credit, has found out that alcohol can be produced on a profitable scale from prickly-pear and this industry can, therefore, be developed with the encouragement and active co-operation of Government. According to him, manures can be manufactured from bones, phosphates from Trichinopoly rocks and nitrates from air. The possibilities for commercial success in manufacturing such manures must be explored by the Departments of Agriculture and Industries.

(12) Hosiery mills are increasing in their numbers and those in Salem and Calicut have been realizing very satisfactory returns. The demand for banians is on the increase and is sure to rise in future as the economic condition of the masses gets better. So there is a great scope for further development of this industry. Beddings and pillows can be manufactured by cottage workers. Hand-loom weaving, dyeing, printing calico and kalan-kari and bleaching can be helped to afford employment for many more workers than at present. There is an expanding market for handkerchiefs and towels in this presidency and they can preferably be produced by cottage workers.

Manufacturing carpets, blankets, and tapestries can be made more widespread among rural workers and can be carried on to a greater extent than at present and the increased demand at Home and abroad must ensure continuous employment for large masses of workers. Lace-goods, darned, knitted or tailored goods can be sold in large quantities in America, Africa and elsewhere.

(13) Perfumes are at present produced by Muhammadans of Kondavid and other people can also be taught to manufacture them as there is a vast market for such perfumes as rose-water, lemon-oil, and cosmetics such as sindhuram which can be manufactured by cottage workers.

(14) The manufacture of cane-chairs, cabinets, camp-cots, cots, hand-sticks, trunks, and brass, copper and bronze utensils can be further developed as cottage industries. Candles, soaps and wooden, bone, horn or buttons and dolls made of earth, cow-dung, stone, ivory, rubber or leather can all be manufactured by rural workers. Leather goods can be produced on a larger scale than is possible at present if the market for them is properly organized.

Through a proper survey of home-industries many more possibilities can be discovered for these and other industries than are suggested here and by preparing proper and constructive schemes of development, additional employment can be found on a vast scale for the rural masses.

In order to develop all these industries which are discussed in this connexion, the State must be prepared to organize the markets for different kinds of commodities and it must also publish in popular form journals to inform the people about the marketing conditions. Co-operative societies must be formed with the help of the State and the village agricultural panchayats to organize these different kinds of work. Exhibitions of home-industries must be held more than once a year in every taluk and district and an annual Andhra home industries fair must be organized on the lines of the British industries fair. Public men like Members of the Legislative Council and Ministers and public officers like Collectors and Governors must open such exhibitions.

Some villages like Appikatha, Govada, Thurumella and Amrutaluru (Guntur district) have constructed metalled or earthen roads through the voluntary co-operation of the villagers because there happens to be a library. Wherever library or Non-Brahmin or non-co-operation movement has spread, there has arisen a new spirit of social responsibility and social service. One of the practical results of such a spirit is the construction of good roads in the village. But such roads are not kept in good order by repairs undertaken when necessary as there is no permanent institution which is empowered either by villagers or by legislation to carry out such functions.

If the sanitary conditions of any village are to be bettered, there must be incurred a regular and recurring expenditure every year. To discharge this function there must be some such statutory body as the village agricultural panchayat empowered to carry out such functions. The panchayat and women's institute must work hand in hand to improve the sanitary conditions of villages. Library scout and educational movements must be utilized in this connexion. A baby week, mothers' week, gardening week, home industries week, house decoration week must be held every year and prizes given to the most successful people. Responsible and public people must be invited to preside over such functions. Prizes must be given periodically to a few healthy children whose dress is the cleanest and most simple. Lectures must be organized to instruct the masses about the principles underlying the preventive methods taken to counteract the outbreak and spreading of contagious epidemics such as cholera and smallpox.

I should lay special stress in this connexion upon the necessity for organizing a 'Social Service Training Course' under the auspices of Universities. The London University has a diploma course in social science and the Oxford University has a certificate of training in social work. In America most of the Universities have organized similar courses of training. Our Universities must also organize such a system of training and teaching so that a good number of students who have already entered upon their Honours' Course may be prepared as social workers if they like to do social service. Such students must be taught the elementary principles of social science, agricultural economics, co-operative movement, labour organization and Local Government in addition to practical training in the running of a few organizations such as panchayats, social and religious settlements, local boards, co-operative societies, hospitals, etc. It is only such specially trained social workers who must be appointed as permanent officers of the village agricultural panchayats, women's institutes, etc. If thus the public and voluntary workers are helped by properly trained social workers much constructive social service can be done among the rural masses.

Social work must become a fashionable thing among the rural masses and in order to create such an atmosphere, Universities must undertake to organize the proposed courses of study for social workers. The various semi-public bodies which are proposed must be prepared to pay enough to their social workers so as to enable them to maintain themselves in decent circumstances. There must be thus established a regular channel through which a sufficient number of well-trained and zealous social workers will continually come to swell the ranks of workers whose ambition it is to improve the social, economic and cultural conditions of the rural masses.

Written evidence of M.R.By. T. K. SRINIVASA AYYAR
Avargal, B.A., Registrar of Assurances, Madura.

I.—Agricultural credit and credit facilities for small industries.

(a) *Expenses of cultivation.*—The smaller ryot generally goes to the village sowcar (a rich ryot generally assumes this roll) and raises loans at rates of interest of generally 18 per cent per annum; even if the rates of interest be smaller in co-operative societies, the ryots generally avoid the societies as they find it impossible to keep to dates of repayment.

(b) *Finance for capital and permanent improvement.*—The smaller ryot never does any permanent improvement to his holding but is content to get on with as little expense as possible and is satisfied with the yields that the lands give without special improvement.

(c) For special needs also the ryot goes generally to the village sowcar; and sometimes to chetti bankers in towns; and in the latter case high rates of interest, about 24 per cent interest per annum, is generally paid.

The difficulty in dealing with the small ryot is that he is averse to keeping to fixed dates of payment or rather, he is unable to keep to those dates; and any provision for penal rates in default of payment on the due dates makes him suspicious; and he does not realise that even with the penal rates, it is profitable to borrow from co-operative societies than from the local sowcars. I have known cases in which after getting loans from co-operative societies, and making default of payment of one or two instalments, ryots have taken loans at much higher rates of interest from local sowcars for clearing the loan taken from the society.

2. (a) *Marketing of crops.*—In the case of the small ryot whatever crops can be sold after reserving the quantities required for consumption in the year is sold on the field itself immediately after the harvest to merchants who go with cash for the purpose and buy at very favourable rates. In some cases the crops are sold to neighbouring ryots even before harvesting; and it is only the rich holder that reserves the crops until a favourable market is secured.

The system of issuing hundis is very rare in the rural parts.

4. *Mortgaging of lands.*—There are no legal impediments to mortgages of land and of agricultural holdings.

A land mortgage bank is a rarity here; and one that was started a few years ago in Kistna district is understood to be still in an infant stage. The loss of capital invested in joint-stock companies which has unfortunately been the experience of several Indian capitalists makes people generally averse to invest capital in any new venture; and the want of capital in its turn, spoils such ventures.

6. *Subsidiary industries.*—For a small ryot there is practically work in the fields all the year round; in seasons of non-cultivation he has to attend to the levelling of the land and minor improvements which he can effect by his personal labour without extra cost. I think that it is not possible to make him attend systematically or to any appreciable extent, to any subsidiary industry.

II.—Indigenous banking.

This is very rarely found in villages, the village sowcar limiting his transactions to merely lending money for one agricultural season and generally realizing the same at the time of the harvest.

In towns these bankers are generally lending money for short terms on high rates of interest; but except in a few cases they are not serving to finance trade, etc. These bankers however find full use for the capital invested by them, which is generally not much; and no capital is lying idle with them.

III.—Investment habit and attraction of capital.

The habits of investments are rare; and even in cases where they exist, the difficulties of realization when the money is needed and the trouble that has to be taken in realization, militate against the popularity of

investments. The mass of the people have yet to understand the fluctuations in the value of securities; and any large fall in value enhances their fear against investments.

People are no doubt beginning to give up the practice of hoarding or investing large sums in silver and gold; but except to the more literate of the population, sound investment is still a problem.

2. The mass of the public have not yet taken to investment in the post office savings bank or in post office cash certificates, as the interest in the former case is only a nominal one; and as in the case of the latter, the proper safe custody of the certificate for a period of 5 years is a problem to several villagers whose houses are open to attacks by white ants and fire and who generally find difficulty in preserving paper of any kind, inclusive of currency notes.

The system of investing money in Government paper is generally not known even in towns, except to a few people; and I have noticed that even postmasters through whom such paper can be got, are in several cases, ignorant of the rules.

3. *Surplus money in a prosperous year.*—The ryots generally fritter away surplus money, if any, that they get in a prosperous year; and generally several items of expenditure are postponed from year to year against the occurrence of such a surplus.

5. *New branches of the Imperial Bank.*—The opening of new branches has no doubt tended to increased facilities in trade; but it has at the same time resulted in the exposure of the financial hollowness of several merchants who were, until they began to have dealings with the Imperial Bank, supposed to be financially sound. The net result is that the services of the bank are not being fully utilized by the Indian merchants.

Written evidence of M.R.By. M. J. VENKATAKRISHNA PILLAI
Avargal, District Registrar, Bellary.

I.—Agricultural credit and credit facilities for small industries.

1. The ryot generally borrows money for his needs from the local professional money-lender who is ordinarily a Komati by caste. In many cases the rich and well-to-do landlords also advance money to poor ryots. The co-operative societies also play a good part in rendering assistance to the needy poor. But it is said that the management of the rural co-operative societies is not what it ought to be. It is stated that closer supervision and honest and straightforward dealing are required on the part of co-operative societies.

In the cultivation season, ryots generally borrow money by mortgaging their lands. The mortgage money is generally made payable on demand. Standing crops are also mortgaged for a period of 12 months and not exceeding 18 months. The interest ranges generally from Re. 1 to Rs. 2 per cent per mensem even on standing crops. Ryots also take advances from rich ryots and shop-keepers on condition of repaying the amount by selling the produce to them at Rs. 2 or Rs. 3 less than the bazaar rate. Advances on an exceedingly large scale were made under the Agriculturists Loans Act and under the Land Improvement Loans Act during 1928. In previous years also advances under the same Acts were made though not on such an extensive scale.

3. The price of good black cotton soil in which all sorts of dry crops are raised is between Rs. 100 and Rs. 200 in the Bellary district. The price of inferior dry soil other than black cotton soil ranges from Rs. 10 to Rs. 100.

4. There are no land mortgage banks or agricultural banks in this district so far as I know. Domestic expenses and expenses for the performance of marriage and other social functions, especially when crops fail for successive years owing to want of timely rains, quickly land the poor ryots into debt. If existing co-operative societies are well managed and loans granted freely and without delay, the poor ryot will have great relief.

Often times the ryot runs into civil court on account of land dispute. By the time he emerges from it, he is nearly squeezed to death in more ways than one.

Party factions in villages play a good part in the economic distress of the country. Generally village ryots (the richer of them) range into two rival parties competing for village leadership. Disputes regarding land boundaries and waterways excite their feelings and finally end in riots and murders. The poor ryots are always in the grip of the professional money-lenders or rich ryots who advance them money in times of need. Generally these creditors take away all the produce of the debtor in payment of the high interest that is charged; and for the next year the ryot has again to be at the mercy of the money-lenders. This kind of borrowing and paying is never ending and goes on till finally the poor ryot is deprived of his small holding in favour of the money-lender by executing a sale deed of the small plots of land he had. The usual interest that is charged is Re. 1 or Rs. 1-8-0 per Rs. 100 per month and even Rs. 2 at compound interest.

The rich ryots get into criminal courts on account of party factions. Such ryots run short of their money by the end of the year. All their moneys go to enrich the pockets of the vakils and others. Ryots do not seem to spend money on luxuries.

There is already a record of rights introduced into the department. At a glance, any person can have an idea as to the encumbrances on a specified property. Co-operative societies are exempt from stamp duty and registration fees and search fees for encumbrance certificates. No further reduction appears necessary.

III.—Investment habit and attraction of capital.

The fund offices in the district encourage savings and the habit of investments. But there are not many in the district. Those who harvest groundnut or cotton do generally get a surplus and spend it in buying clothes and jewels. Farmers do lend to fellow agriculturists generally, at a high rate of interest. The interest has also to be paid in when the harvest is reaped. The major portion of the produce of the poor ryot goes to meet the compound interest charged and only a very little goes to reduce the principal amount. Rich ryots who are more prudent generally purchase lands when they have surplus money in a prosperous year. They always have an eye towards enlarging their landed estate.

**Written evidence of M.R.By. G. T. CHERIYAN Avargal, B.A.,
Registrar of Calicut.**

1.—Agricultural credit and credit facilities for small industries.

1. (a) By promissory notes, pledge of jewels, cattle and crops.

(b) & (c) By mortgaging the land. Twelve per cent interest generally for money loan and nearly 2 paras of paddy for 10 paras of paddy if the loan is in the shape of paddy. Standing crops are accepted only by the nearest landlord or kanamdar as security. Government plays very little part in agricultural finance except for occasional loans under the Agriculturists Loans Act and the Land Improvements Loans Act. The Imperial Bank and joint-stock banks largely help the European planters through their accredited agents but not the agriculturists in general. Since the Mappilla rebellion of 1921 co-operative banks have cropped up in many places especially in Arikkod and the agriculturists appear to be benefited by these banks. The indigenous banks and the professional money-lenders afford greater help in this direction. The present system is defective in many ways. The loans being for short periods, the agriculturist has to find out the money to repay the loan and interest within a short period from the crops he raises and he has also to eke out his living from the same crops. The rate of interest is also high as sometimes a rate of 18 or even 24 per cent is demanded according to the pressure and urgency of the loan required. Very often a failure of the crops means utter ruin and consequently the loan cannot be repaid and the loan amount with interest is thus accumulated. The agriculturist now approaches a merchant who helps the former to get a loan from the indigenous bank or professional money-lender. This intermediary can be dispensed with if banks are started to which the agriculturist can directly approach with facilities for long-term loans and lower interest. The remedy seems to be to open agricultural banks through Government agency and to open more co-operative banks. There appears to be little co-ordination among the various credit agencies. Government interference is essential.

2. The principal crops which need marketing are pepper, ginger, copra, coir and yarn and the marketing is done mainly by merchants and commission agents in towns. The merchants and commission agents advance money to the producers at the seedling time on interest up to about two-thirds of the expected produce. The goods are brought to these middlemen and sold by the latter according to the prevailing market rates. Sometimes these producers and some European firms which deal with export trade enter into contract with the producers and money is advanced by them to the latter.

Negotiable instruments play a large part. A more extensive use of bills can be encouraged by the reduction of stamp duty. A private system is in vogue among Indian merchants for remitting money. They issue a sort of bill of exchange which bears no stamp but freely negotiated among local merchants. The defect of this system is that they cannot be discounted at public banks. Hundis payable on demand and hundis payable after sight are prevalent here.

4. In Malabar the tarwad system is a great impediment for mortgaging lands as all members of a tarwad have to co-operate for raising a loan though only some of the members are actual cultivators. There are no land mortgage banks in Malabar. Agricultural or co-operative bank under Government supervision affording long-term loans should be established.

(a) The present periodical revenue settlements help a good deal to clear up much of the disputes as to title. If such settlements are undertaken at shorter intervals with a view to settle titles and the revenue registers are periodically revised, the ownership question can be more satisfactorily settled.

(c) The concession now granted to co-operative societies may be extended to the clients of the proposed banks to some degree.

Written evidence of M.R.By. T. P. VENKATARAMAM PILLAI
Avargal, Registrar of Assurances, Villupuram.

I.—Agricultural credit and credit facilities for small industries.

1. An agriculturist obtains money for his cultivation expenses from merchants generally who act as middlemen. These middlemen advance money to the agriculturist in the sowing season on the security of groundnut crops or paddy. This is one of the great centres for groundnut trade. One of the conditions for advancing money is that the whole of the produce should be sold only to the merchant money-lender who takes the crop at his own valuation and measurement and disposes it off to the big dealers such as Messrs. Rally Brothers, etc. He has to mortgage his lands for raising long-term credit for such special needs as marriage, etc. Practically no loan is raised for permanent improvements to the lands. The rate of interest is generally 12 per cent in the district if it is cash or 3 kalams of 36 Madras measures each for Rs. 100. For short-term loans the rate of interest is generally groundnut crops of 3 Madras measures per rupee for about 6 months. Money is advanced generally on the security of immovable property and a part on pro-notes and bonds too. The security of standing crops is rare. Practically excepting the professional money-lenders the only other money-lending agencies are the co-operative societies in the district. Even this latter agency is not freely advancing money as they are bent upon collecting the money already advanced in which they find difficulty and as such the only persons from whom the agriculturist can take money is the professional money-lender, the merchant, middlemen or the Marvadis who advance money on the pledge of movables at an exorbitant rate of interest at a minimum of 18 per cent. The only indigenous bank in the whole district—the Peoples Mutual Benefit Society—is of little or no use to the public in general. The average amount of loan taken in a year in the district is approximately 35 lakhs of rupees or 110 lakhs during the last 3 years. This amount is advanced on the security of immovable property. Taking that to be about one-third of the whole money advanced or mortgages, a total amount of 110 lakhs may be needed for this registration district alone.

2. Generally the groundnut crops are purchased by the middlemen and sold by them to big dealers such as Rally Brothers, etc. Some of these middlemen pledge their goods with banks and take advance or tranship them to important centres and receive advance of payment on the production of railway receipts.

3. The value of land varies according to its situation such as nearness to a channel or well, etc. In this district there is always a fear of water scarcity and hence the nearness to source of water is always considered a great advantage. The price varies from Rs. 1,500 an acre yielding paddy to Rs. 50 an acre yielding some dry crop. The value fetched in a revenue sale is more or less nominal while that fetched in a court sale is generally below that by private negotiations.

4. At least one land mortgage bank giving very long-term loans would be useful in this district. Loans should be advanced to the agriculturists on the security of their immovable properties. They should be permitted to clear off the debt in the course of 30 to 40 years so that they may be able to maintain their family without difficulty and liquidate the debt without pledging again their property to some others. The working capital for the land mortgage bank should mainly be advanced by Government loans and debentures. The debenture loans should be guaranteed by the Government.

5. It is absolutely essential to reach an estimate of the existing indebtedness of the agricultural class. This can be ascertained from the records of a sub-registrar's office so far as mortgage loans are concerned and from individual enquiries in the villages for pro-note, bonds and pledge loans. The debts are generally due to the professional money-lenders and partly to co-operative societies. The rate of interest is generally 12 per cent and

the agriculturist generally goes from one money-lender to another to discharge his loans and when he finds that he cannot raise any more loans he allows his lands to be sold in court auction.

6. There is no subsidiary cottage industry in the district except weaving to a small extent.

7. There is a large surplus of money in the district banks and provincial co-operative banks. The primary societies which have already received loans are not able to collect the dues from the members owing to the indifference of the office bearers or incapacity of the members to pay and consequently there are heavy arrears due from the primary societies to the district banks who are naturally reluctant to advance once again to them and consequently heavy surplus is locked up with the district banks for want of outlet. The only remedy is to strengthen the collecting agency in the primary societies and to do propaganda work for educating the members.

II.—Indigenous banking.

There are no indigenous banks and no system of hundi in the district.

III.—Investment habit and attraction of capital.

The money that is received by an agriculturist by sale of his produce is passed on almost immediately to his creditors and as such has practically no money left with him to be kept. Farmers at times lend to fellow agriculturists and the rate of interest in those cases also is generally 12 per cent as he also borrows at the same rate. In years of scarcity an agriculturist has to borrow and this is recouped by surplus earned in a prosperous year.

**Written evidence of G. ABDUL HABIB SAHIB Bahadur,
District Registrar, Cuddalore.**

I.—Agricultural credit and credit facilities for small industries.

1. (a), (b) & (c).—From the richer class of the locality.

Rates of interest.—Usually 12 to 18 per cent per annum.

Security given.—Immovable property.

2. *Negotiable instruments.*—Pro-notes are usually accepted and given in the case of hand loans of small amounts.

3. *Value of the land per acre.*—

Wet.

Dry.

About Rs. 600.

About Rs. 300.

4. (a) The registers of holding very recently introduced in the Registration Department are intended to simplify references and to denote the encumbrances of a particular individual at one glance.

III.—Investment habit and attraction of capital.

3. The richer class (farmers) usually lend money to agriculturist for short term at 12 to 18 per cent per annum. In a prosperous year they lend money on mortgage to the needy of the locality. In richer families the whole property is usually partitioned among the several members of the family.

**Written evidence of M.R.By. T. S. SABAPATHI PILLAI Avargal,
B.A., Registrar of Assurances, Tinnevely.**

1.—Agricultural credit and credit facilities for small industries.

1. The agriculturist obtains finances

(a) for expenses during cultivation—by executing pro-notes,

(b) for capital and permanent improvements—by borrowing—from the Government under the Loans Acts or from money-lenders on the mortgage of lands, and

(c) for other special needs—by borrowing on pro-notes from money-lenders.

The rate of interest is usually 12 per cent per annum. It is 18 per cent for small loans below Rs. 100.

Standing crops are not given as security. But hand loans of small amounts are got, from the richer classes by the poor, repayable at the time of harvest for 25 to 50 per cent interest in kind.

The co-operative banks, the indigenous banks and bankers and professional money-lenders give loans.

Merchants and dealers do not lend for interest generally.

2. The principal crops in the Registration district of Tinnevely are paddy, chillies and onions.

3. The value of land per acre of double crops:—Wet land of double crop paddy cultivation ranges from Rs. 4,000 to Rs. 5,000 in the river-fed area and Rs. 2,500 to Rs. 3,000 in tank-fed area and Rs. 2,000 an acre if single crop.

The value of one acre of dry land in localities like Alankulam where the Nadars cultivate the lands themselves with chillies, onions, etc., is Rs. 4,000 to Rs. 5,000 an acre.

In other parts the dry lands are sold at Rs. 200 to Rs. 500 an acre.

The factors affecting the value of lands are (1) facility of irrigation, (2) the existence of capitalists and traders in the village with sufficient surplus profits each year and (3) the abundance of labourers and cultivators.

The value of land in Government auction for non-payment of revenue is less than that sold by court decrees and the value of land purchased by private negotiation is always higher than the above, because in the latter there is wider publicity in the village and the lands are sold to those who really demand them and are in need of investing their money in lands.

4. The existing register of holdings in the Registration Department shows the ownership of the lands, the solvency of the holder, and the extent of his indebtedness at a glance, in respect of the pattadars in each village.

A nominal fee of Rs. 2 for a mere inspection of a holding would induce many a banker to lend money with more confidence and trust.

At present a search fee of Rs. 2 for the first year and annas 8 every subsequent year for the encumbrance certificate and the natural delay of at least four or five days involved in the grant of the certificate stands in the way of the bank and money-lenders availing themselves more of the Registration Department Register of Holdings (or record of rights as it may be rightly called) as freely as they wish.

The registration fees on promissory notes and bonds hypothecating standing crops may be reduced, to facilitate the registration of documents and as an incentive, since the general public and ordinary money-lenders give more credit to registered documents.

5. The existence of debts on mortgage of lands can be estimated on a rough scale for any specified village from the register of holdings.

The rates of interest are generally 12 per cent and the term is usually one or two years.

It is desirable to help the growth of co-operative banks by stimulating co-operative movement among the farmers, by making more capital flow to the rural societies and by giving facilities to lend on the mortgage of standing crops and harvested produce.

II.—Indigenous banking.

1. The indigenous banker receives deposits from the rich as well as the middle class of people for an interest of $7\frac{1}{2}$ to 9 per cent and lends to the public for 12 to 18 per cent interest.

The indigenous banker confines himself to borrowing and lending money to the agriculturists and traders.

5. The indigenous bankers generally called 'Hundi shop' provide themselves with funds from the deposits made by the public added to a small capital of their own. The rates of interest received by them as deposits ranges from $7\frac{1}{2}$ to 9 per cent.

6. The rates of interest charged by the indigenous banker are as a rule in money and are at the rate of 12 to 18 per cent.

7. Of late, on account of the insolvency of some local indigenous banker in Tinnevely, there is some prejudice against these bankers.

These bankers are not protected by law at present nor are the public protected against any fraud by these bankers, as any man may call himself a banker and carry on banking business.

The dealings of this class of bankers are not generally conducted on sound lines, as these simply trade upon the credit of a credulous public and have not much capital of their own.

8. The attitude of the indigenous bankers would be hostile towards any scheme introduced for regulating their operations and for giving publicity to the same.

10. The indigenous bankers do not meet all demands, owing to the insufficiency of their working capital.

III.—Investment habit and attraction of capital.

3. The habits of the lower and middle class of people with reference to savings on their hands are to subscribe to kuris or chits on a smaller or larger scale each month or half yearly.

There are thousands of chits conducted in each village by persons who are not generally rich or solvent and though they are generally honest in their dealings, except that they take to themselves much of the profit.

If any lump amount be got by disposing of their agricultural produce or by having prizes in the chits, the agriculturists deposit them in the indigenous banks.

General.

The joint stock companies started in the mufassal have lost confidence in the public.

The Indian Companies Act as worked by the Registration Department is not of much use in checking the irregularities, fraud and misappropriation in the working of the companies. So long as the few requirements of the Act are complied with, viz., having a recognized place of office and a common seal and publishing balance sheets and submitting few returns, the company may go on cheating the public undetected and unchecked, until the courts are moved. The Registrar of Companies or the magistrates have no means or agency to check or audit the accounts, as it is done by the Registrar in the co-operative banks.

Written evidence of Mrs. NESAMONEY PAUL, Municipal Councillor, Palamecottah.

1.—Agricultural credit and credit facilities for small industries.

1. (a) The agriculturist in our district depends for financial assistance during cultivation upon the landholder or upon persons who are either landholders or money-lenders by profession.

(b) It is very rarely that capital and permanent improvements are sought to be made; usually the holdings are very small. Banks in towns do not care to deal in small amounts and the cultivator has to look to the money-lender who borrows big amounts from these banks and makes a good profit in the village. The small holder, who goes in for a loan for improving his land almost always fails and in a good many instances he loses his land.

(c) A very small portion of the holdings is cultivated by the owners themselves, most of whom are poor. The full produce in a season is just enough to tide them over until the next season. A marriage or festival or death or the failure of one crop drives them to the hands of the money-lenders in whose grip they lie right through their lifetime.

The cultivators as well as the tradesmen in the village borrow money at rate of interest ranging from 24 per cent to 36 per cent. Sometimes it is as high as 48 per cent. The loans are granted for short terms, e.g., three or six months. Besides the security on the standing crop the lenders often take a personal security. The takavi loan issued by the Government is barely sufficient for any village and more often than not the money is mis-spent. The collection is very regular but the cultivator pays back not out of the incomes from the land. The Imperial and other banks advance money on the pledge of the standing crop.

The co-operative societies as they are worked now are of small service. Year after year there is increase in the overdues. The society in any place is composed of men who are themselves money-lenders in a way or men in need of money. The poor agriculturist has got to be educated first upon how best to use the money. And any loss incurred by the society must be made payable by the members themselves.

It would be a good thing to have a common granary in each village and the society can help to sell to produce to the advantage of the cultivator.

2. In the present condition of things pooling is not to be thought of. In most villages the quantity of grain that can be spared for sale outside the village is very small. But pooling would be to the advantage of the farmers in places where grain is in abundance. In order that pooling may prove successful the farmers themselves will have to have technical knowledge over and above what they know about the markets.

3. The value of paddy growing land varies from Rs. 500 to Rs. 1,200 an acre for lands irrigated by rain fed tanks. That of double crop land fed by river ranges from Rs. 2,000 to Rs. 4,000.

(a) The land is sold in Government auction for non-payment of revenue at only a somewhat higher amount than the actual arrears. The landholders who allow their lands to be sold for arrears for revenue very often lose their small holdings.

(b) The same is the case with regard to the land which is sold in Court auctions. The judgment-debtors are placed at the mercy of the decree-holders. The court amin somehow manages to fix an absurdly low price. For instance if a judgment-debtor owes about Rs. 500 to a decree-holder, the farmer's property worth about Rs. 2,000 is knocked down by the decree-holder for his Rs. 500 decree-debt in spite of so many safeguards during and before the sale.

(c) In purchase by private negotiation other considerations prevail—the cost of neighbouring lands—the yield per acre, etc.

4. I do not think there are more than one or two land mortgage banks in our province.

There is no such legal impediment. Patta should be made issuable every year. In the case of usufructuary mortgages the pattas should change hands. In all other cases all the transactions affecting the land should be noted in the patta.

The working capital for these banks.—I am in favour of debenture bonds, provision of long term and credit against sound security. The law should be so modified that no land mortgaged with a land mortgage bank is partitioned among the inheritors until the mortgage is redeemed.

5. It would be a difficult task to arrive at a fairly accurate estimate of the existing indebtedness of the agricultural classes. I know of no such estimate for a village or district in any province.

The amount of debt with land as security can be ascertained by reference to the registers in the registry offices; even then accuracy is hard to reach, for we hear of bogus sales and mortgages that are brought about by debtors to cheat creditors of their due. The karnams of villages and the professional money-lenders can, if they will, give a true and correct estimate of the kinds of debts mentioned in question 5 (c). But as a rule they are unwilling to let out any information. Debts on the pledge of ornaments, etc., are mostly owed to the professional money-lenders and the big land-holders it is that ever advance money on the pledge of agricultural implements.

The latter lending as they do only to their own tenants charge less interest than the money-lenders who are often heartless enough to demand forfeiture of the property in case of non-payment of the amount before the stipulated date.

6. Every possible rural centre—at least every Revenue Inspector's *firka* should have besides the common granary the facilities for the appropriate allied industry. So rice hullers in paddy areas, ginning factories in the cotton areas and oil presses in the gingelly areas would be the means of helping the poor agriculturist to supplement his income to some extent. The Government should own the plants in every case but the running expenses and depreciation charges should be collected from the tenants. Weaving and spinning are the industries that can be thought of as intermediate occupation of the agriculturist. Weaving is almost extinct in the villages.

II.—Indigenous banking.

1. In our district most of the banks are mere deposit banks. Some of them carry on hundi business. Chettis from the Chettinad conduct banking business. All private banking is in their hands. There are not many joint-stock banks.

2. These banks render very little assistance to the agriculturists.

Since there is practically no industrial enterprise of any kind here, there is no occasion for the banks ever to finance any industry. Traders either wholesale or retail have to pay high rates of interest in order to obtain the loan that forms their chief capital.

3. (a) In our district the capital is raised by deposits. The average capital opened by each bank never exceeds Rs. 1,00,000. The number of those who borrow a few hundreds on the pledge of jewels is great. Their capital is naturally very small.

(b) Nil.

(c) The expenses never exceed Rs. 100 a month.

(d) As far as I can see there is little or no co-operation among bankers in this district. Most of these indigenous banks look to the bigger banks just as the Imperial for overdraft.

4. Indigenous bankers allow cash credit only to the local merchants. They take security bonds from them. Others obtain loans on security bonds as well as mortgage deeds.

Here is an example of the promissory note in the vernacular.

1929ம் ஆண்டு ஜூன் மீ 25ல் திருநெல்வேலி தாலுகா, பாண்டையங்கோட்டை இலக்குடி தெற்கு தெருவிலிருக்கும் கிருஷ்ண கோனார் மகன் ராமசாமி திரைகார ஷேதாலகா ஷேபூர் தெற்கு பஜார் தெருவிலிருக்கும் கந்தசாமி செட்டியார் மகன் சுப்பிரமணிய செட்டியாருக்கு எழுதிக்கொடுத்த பிராயிசரி நோட்டு என்னவென்றால்:—

நான் நாளது தேதியில் தங்களிடம் என் வியாபார நிமித்தம் ரொக்க லாக கடன் வாங்கினது ரூ. 400 (நானூறு ரூபாய்) இந்த நானூறு ரூபாயையும் நான் நாளது முதல் மீ ஒன்றுக்கு ரூ. 100 க்கு ரூ. 1 வீதம் வட்டி கூட்டி கூடிய வட்டியையும் அசலையும் சேர்த்து தாங்கள் கேட்கும்போது தங்களிடமாவது தங்கள் உத்தரவுக்காவது கொடுத்தும் போதுவேனாகவும்.

இப்படிக்கு,

சுகஸ் த one வி கிதம்.
ராமசாமி anna கோனார்.

(Translation.)

The promissory note executed on the 25th June 1929 by Ramaswami Konar, son of Krishna Konar, residing in Idaikkudi South Street, Palamcottah, Tinnevely taluk, in favour of Subrahmanya Chettiyar, son of Kandaswami Chettiyar, residing in the South Bazaar Street of the aforesaid place in the aforesaid taluk, is as follows:—

The amount of loan in cash which I have received from you to-day for the purpose of my business is Rs. 400 (Rupees four hundred). On demand, I promise to pay to you or to your order this sum of Rupees four hundred together with the interest that may accrue from this date at the rate of one per cent per mensem.

The Signature of One anna Ramaswami Konar.

V

5. Generally then bankers depend on chance deposits in order to meet their obligations. The prevailing rates of interest on current and fixed deposits are 3 to 4½ and 6½ per cent respectively.

6. The agriculturist pays from 12 to 18 per cent as interest on shares borrowed by him. Co-operative societies by supplying seed and manure and hiring out improved implements can obviate the necessity under which they are of obtaining money at such high rates. Mere reduction of the rate of interest will be of no use. True education of the masses and rural reconstruction must precede any improvement.

7. As far as I am aware the indigenous banker is respected and loved with as much respect and love as people can show. In places where he is not to be found he is much missed and the advent of a banker in such a place is hailed with joy. If every banker had as much legal protection as is necessary he would have no excuse for demanding a higher rate of interest. Documents executed before the village officer must be made enforceable. Money advanced on the standing crops should be made the first charge on the produce. All transactions must be recorded and regular accounts kept. Otherwise there would be no protection for the poor.

8. There is a prejudice in the minds of the public against approaching these indigenous bankers for loans. These bankers, unlike the co-operative societies, are actuated by selfish motive in all their transactions. But the poor agriculturist as well as the trader is driven to this necessity of approaching them for loans owing to the want of some one to sympathize with their wants. These poor people should be relieved as early as possible.

The co-operative societies serve to some extent this purpose. But the assistance rendered by them is often inadequate and experience teaches us that these societies should be worked on better lines before they can be fully useful. So then the Government by legislation ought to prevent these bankers from demanding exorbitant interest. The way they conduct their business involve not only the borrowers but the lenders themselves in risk. The remedy is the establishment of banks in towns and large villages to be worked in the spirit and principle underlying the co-operative movement. Thus the risk to the persons borrowing or depositing money will be obviated provided the Government extend the same concessions as they allow to the co-operative institutions.

10. It may be admitted that these indigenous bankers find themselves sometimes unable to meet their obligations. But it will be found that the truth is that large sums lie idly in their strong boxes and that the bankers are not satisfied with the security offered.

III.—Investment habit and attraction of capital.

1. *Investment in gold and silver.*—This primitive habit is still prevalent to a large extent in India. It is not realized that this is both an unwise and unprofitable investment. Loss of interest and depreciation in value owing to lapse of years are the chief defects in this form of investment. Gold as we all know is the cause of much of the crime in any country. But it is slowly being realized that investment of cash in sound and well-managed banks and in thriving industrial concerns are more profitable. A great quantity of the country's capital still lies hidden—the realization by the people is so slow. It must not be forgotten that the industrial concerns in this country are mostly foreign owned and this helps them very little towards attracting the gold and silver in the country. The institutions now in existence that may be said to encourage the right sort of investment habit are—

- (1) the post office savings banks,
- (2) provident fund systems, and
- (3) insurance companies.

Though these are useful they are neither adequate nor as popular as they ought to be.

3. As far as the agricultural classes are concerned they do not generally lend. They invest what little surplus they have in the local hundi shops. By doing this they run great risks as hundi shops fail all on a sudden.

4. Till very recently the use of cheques was unknown. The cheque habit is of a recent growth. Since the abolition of stamp duty the cheques are getting more and more popular.

It is only the literate classes that ever use cheques. By paying Government servants, etc., by cheques much trouble in disbursement, e.g., counting, verifying, may be saved.

The use of vernacular scripts in cheques will render them more popular among the masses and prevent fraud.

5. Yes.

I attribute it to the want of education of the masses and want of confidence in them.

The people have got to be educated upon the advantages they may secure to themselves by investing in banks and useful industries. Specially appointed officers may do propaganda work in the districts and taluks. Government may afford facilities for the opening of industries in all possible centres such as rice mills, cotton factories, etc.

The branches of the Imperial Bank are of great use to the big land-holders and industrialists as well as to the smaller cultivator and tradesman in rural areas. The opening of these wherever possible has done much to increase people's confidence in the great organization.

Written evidence of C. H. MALAN, Esq., O.B.E., I.C.S., Postmaster-General, Madras.

III.—Investment habit and attraction of capital.

2. I state below the number of postal cash certificates sold and the number of savings bank accounts opened during each of the three official years from 1926 to 1929, in the Madras circle (including Hyderabad, Mysore, Cochin and Travancore).

	1926-27.	1927-28.	1928-29.
Number of Cash Certificates sold during each of the official years	25,753	21,029	17,707
Number of savings bank accounts opened during each of the official years (including accounts transferred)	51,971	57,767	61,174

It appears that postal cash certificates are declining in popularity. The reason presumably is the reduction in the rate of interest.

The figures for savings bank accounts include those transferred from one post office to another. They show that the post office savings bank continues to be popular. It affords all reasonable facilities to the public, and is resorted to by all classes of the community, especially the poorer classes.

Savings bank business is done by all head and sub-post offices. Branch post offices do not do this business unless they have been specially authorized by the Postmaster-General. Out of a total number of 3,427 branch offices in the Madras circle 1,236 do savings bank business. I am considering the question of increasing this number in order to extend savings bank facilities to the public.

3. Any person may invest through the post office in any Government loan bearing 3½ per cent interest or upwards, and may purchase Government promissory notes or stock certificates which are whole pieces of paper of Rs. 100 and multiples of Rs. 100. The money for the purchase of such stocks may be deposited in any post office and the Deputy Accountant-General, Posts and Telegraphs, Calcutta, buys the Government promissory notes or stock certificates for the applicant, without charging any commission for the purpose.

I do not feel qualified to give a reply to any other question.

Written evidence of the District Labour Officer, Tanjore.

I.—Agricultural credit and credit facilities for small industries.

1. (a) *System by which the agriculturists obtain finance for expenses during cultivating seasons.*—Agriculturists borrow funds from the landlords, the paddy merchants, the local co-operative society and from the joint-stock banks and fund offices. Co-operative societies and joint-stock banks play a very negligible part in financing the agriculturists, since they have not been started in all the villages or even in important places, in some cases.

(b) *For capital and permanent improvements.*—Funds are borrowed for this purpose mainly from the Government and this is not adequate. The co-operative societies which lend for periods not exceeding five years are unsuitable for carrying out costly improvements. The agriculturists find it difficult to repay the loan, within so short a period. Land mortgage banks which are being started and which can lend for periods extending up to twenty years will make a headway in affording relief to the heavily indebted agriculturists. —There is only one land mortgage bank in this district. Similar banks if started in various places of the district are sure to afford relief to the indebted agriculturists.

(c) *For other special needs (e.g.) failure of monsoon for land revenue.*—Same as answer to 1 (a) above.

Rate of interest charged on loans and advances, periods of repayments, nature of security, etc.—*Rate of interest.*—Landlords and private money-lenders charge interest at rates ranging from 12 to 30 per cent. The rate of interest charged by the joint-stock banks, ranges between 6½ to 7½ per cent while the co-operative societies charge 9½ per cent per annum.

Period of repayment.—Promissory notes got executed on behalf of the sowcars and private money-lenders have no time limit. The joint-stock banks allow 45 months' time while the co-operative societies grant periods of repayment from eight to twelve months in respect of short-term loans and from three to five years in respect of long-term loans.

Nature of security.—In all cases the nature of security is as follows:—

- (1) Simple bonds of the borrowers.
- (2) Surety bonds executed by the borrower, and one or more sureties.
- (3) Pledge of jewels, of crops and of lands.

Where the amount involved is large, lands are generally mortgaged. In some places 'loan and sale societies' or 'crop loan unions' have been started by the Co-operative Department and these institutions grant loans to the agriculturists for their immediate requirements on the pledge of their harvested produce. Agriculturists are thereby enabled to hold off their produce for a better market.

Part played in agricultural finance by the several agencies.—All the sources (viz.) Government, co-operative societies and the joint-stock banks from which the agriculturists borrow funds are not able to redeem the indebted landowners from the clutches of the money-lenders.

Co-ordination among the existing credit agencies.—There is practically no co-ordination among the several agencies.

2. *Present method of marketing principal crops.*—The principal crops are rice, groundnut, coconut, ragi and maize.

There is no organized system for the sale of harvested produce. The cultivator generally sells his produce to grain dealers, who stock them till a favourable season. In a few cases, where the villages are situated near the towns or near places where weekly shandis (fairs) are held, the produce is taken to these markets for sale.

Co-operative effort for marketing produce suggested.—The agriculturists are invariably put to the necessity of disposing of their produce at very low rates even on the threshing floor, owing to the pressing need for money. If loan and sale societies are started in every village the agriculturists can get the required funds from these institutions and at the same time hold off their produce for a favourable season.

Part played by the different classes of banks and bankers during marketing.—As stated above the agriculturists do not derive any help from the banks in marketing their produce. It is the local merchants and middlemen that borrow funds from banks and utilize them in purchasing the produce, reserving the stock for a favourable opportunity and appropriate the profit to themselves.

Internal remittance and the effect of reducing the duty on the bills.—Internal remittances are made through post offices, by cheques and by hundis. Cheques and hundis are not used on a large scale. A reduction in the duty on the bills will result in a considerable improvement in the use of these bills.

3. *Value of land per acre in Tanjore district*—Value of land in private purchase.—In the deltaic parts of the district, viz., in the taluks of Tanjore (portion), Kumbakonam, Papanasam, Mayavaram, Shivali and Nannilam the price of wet lands ranges from Rs. 500 to Rs. 1,500 per acre. In the uplands portions of the district, i.e., in the taluks of Pattukkottai, Arantangi, Tanjore (portion) the value of wet land varies from Rs. 300 to Rs. 1,000 per acre and dry lands are sold from Rs. 50 to Rs. 300 per acre.

The value of land in court sale.—This is generally lower than that referred to under “private sales.”

4. *Legal impediments to mortgage of lands.*—(1) When mortgaged lands are sold in public auction for arrears of land revenue, the purchaser takes the land free of all encumbrances.

(2) The mortgagee has no summary remedy. The execution of the mortgage decree is cumbersome.

Land mortgage banks and agricultural banks for long-term credit.—There is only one land mortgage bank in the district. There are no agricultural banks. There is thus no adequate resources to provide long-term credits. The establishment and working of a larger number of primary land mortgage banks at least in taluk headquarters with an apex bank will effect beneficial results to the landholders and tenants of the district.

Working capital for the proposed mortgage banks.—The apex or central mortgage bank can raise funds by the sale of debentures issued on the mortgages obtained by the primary banks. In the initial stages the Government should guarantee payment of interest on the debentures.

Lending rate and period of repayment.—The primary land mortgage banks should allow 20 years' time and should charge 8 per cent. The rate payable by the primary bank to the central bank may be fixed at $6\frac{1}{4}$ per cent.

5. (c) *The source to which the members of agricultural classes are largely indebted.*—The landowners and tenants are generally indebted on a large scale to indigenous bankers and to private money-lenders.

7. *Relations that exist between the co-operative banks and other banks.*—The co-operative central banks have been allowed overdrafts in the Imperial Bank of India and they open current accounts in the latter. The Imperial bank has since notified to the central banks that the overdrafts now being granted to them on the security of co-operative promissory notes would be withdrawn and that the present cover for overdrafts should be replaced by Government securities at the rate of one-sixth of the total amount of the overdraft every year. The relation among the co-operative banks, Imperial Bank of India and the joint stock banks is capable of improvement.

II.—Indigenous banking.

1. *Function of the indigenous bankers*—Rate of interest charged, etc.—They generally lend money for agriculture, trade and small industries. They demand from the agriculturists in many cases, the payment of interest in the shape of produce. The rate of interest charged is exorbitant ranging up to 30 per cent. It is very common that the interest due on the amount for the period for which the loans are granted by them, is deducted first and the balance is paid to the borrower. In the case of mortgage, the interest is payable annually. Nature of security offered is personal security, mortgage of lands and other properties, when the amount involved is large.

6. Method by which the rate of interest charged by the indigenous bankers can be brought down.—This can be brought down by the organization of co-operative societies and by the issue of loans through them to the needy persons.

7. Prejudice against the indigenous bankers.—The public have a prejudice against the indigenous bankers owing to the unfair methods adopted by them. When there is sufficient security for their loans their concern is only to take payment of the interest alone. Instances are not rare in which many persons have lost their properties as a result of their having borrowed from these indigenous bankers.

8. Means by which the indigenous bankers may be made more serviceable to the community.—Legal measures may be introduced so as to ensure that this class of bankers is more serviceable to the community by making it obligatory for them to adopt a definite rate of interest.

12. Amount of money with the indigenous bankers.—It can be fairly assumed that the uninvested amount remaining with the Nattukottai Chettis and other rich people, if diverted to a regular banking purpose will be useful in meeting the requirements of the indebted landowners and tenants.

III.—Investment habit and attraction of capital.

1. Existing banking resources in the district.—Joint stock banks, co-operative banks and indigenous bankers are the main resources that exist at present. Deposits from the resourceful public and from the public bodies such as the district board and the taluk boards are the sources from which the co-operative banks receive investments. The share capital and the reserve fund of the primary co-operative societies also contribute in this direction.

Existing institutions to encourage savings.—(1) Postal savings, cash certificates and Government securities.

(2) Various kinds of deposits made in the co-operative banks and societies and in the Imperial Bank of India.

(3) Provident funds subscribed by the Government servants and by the employees in the local bodies.

(4) Life insurance on a small scale.

The habit of saving can be enhanced by making the cash certificates more popular and by reducing the rates at which these certificates are now being purchased.

3. Habits of Indians with reference to their moneys.—They have got a peculiar habit of investing their money in jewels.

Written evidence of M.R.Ry. C. K. VENKATACHARIYAR Avargal,
President, Panchayat Court, Uttiramerur.

I.—விவசாய சம்பந்தமாய் கடன் கிடைப்பதும் சிறிய கைத்தொழில்களுக்குக் கடன் கிடைப்பதற்கான வசதிகளும்.

1. இந்த செங்கல்பட்டு ஜில்லாவில் தனிப்பட்ட நபர்களிடம் கடன் வாங்குதல், ஐக்கிய நாணய பாங்கியில் கடன் வாங்குதல், சர்க்காரில் வாரகம் வாங்குதல், மார்வாடிகளிடம் கடன் வாங்குதல் பொதுவாக 100-க்கு வருஷம் 1-க்கு 12 ரூபாய் வீதம் வட்டிக்கு வாங்குகிறார்கள். தொகை அதிகமாக இருந்தால் 100-க்கு வருஷம் 1-க்கு 9 வீதம் வாங்குகிறார்கள். ஆறு வருஷத்துக்குள் கடனை திருப்பி செலுத்தல். ஸ்தாவர சொத்துகள் ஈடாக வைக்கப்படுகிறது.

விவசாய சம்பந்தமாக வியாபாரிக்கும் வர்த்தகர்களுக்கும் நிலத்தை வளப்படுத்தும் விஷயத்தில் சாகுபடிக்கு கொஞ்சமாக கொடுத்து உதவுகிறார்கள். ஐக்கிய நாணய பாங்கியில் வீட்டில் வைத்து இருக்கும் மாசூல்பேரில் கடன் வாங்குகிறார்கள்.

மார்வாடிகள் கொடுக்கும் அதிக வட்டிகளை குறைக்க வழிதேடவேண்டியது அதிக அவசியமாய் இருக்கிறது. ஒரு ஏக்கர் ஒன்றுக்கு ரூ. 10 அல்லது 15 வரையில் செல்லும்.

கடன் தேவையாயிருக்கும் விவசாயிகளுக்கு ஏகர் 1-க்கு 10 அல்லது 20 ரூபாய் வரையில் கடன் கொடுத்து அதை வட்டியில்லாமல் சர்க்காரில் வசூலிக்கும் கிஸ்கியுடன் 4 தவணைகளாக வசூலித்துக்கொண்டால் உபகாரமாயிருக்கும். அப்படி இல்லாமல் வாரக்கடன் கவர்ன்மெண்டில் கொடுத்து அதை தனியாக வசூலிக்கிறது குடிகளுக்கு கஷ்டமாயிருக்கும்.

ஐக்கிய நாணய பாங்கில் சந்தாதாரர்களுக்கு கொடுக்கும் நிலவிறுத்தி சம்பந்தமான கடன்களை சந்தாதாரர்களிடமிருந்து கிஸ்கி பணத்துடன் சர்க்கார் வசூலித்து ஷே பாங்கிக்கு செலுத்திவிட்டால் நன்மையாக இருக்கும். இதுவிஷயத்தில் ஐக்கிய நாணய பாங்கும் கலந்து மேல்கண்டபடி வேலை செய்தால் நன்மையாய் இருக்கும். இப்படி செய்தால் குடிகளுக்கு அபிவிருத்தியுண்டாகும். (Revenue) கிஸ்கி பாங்கி திற்காமல் வசூலாய்விடுவது போல திலவிறுத்தி சம்பந்தமான கடனும் பாங்கி திற்காமல் வசூலாகிவிடும். இந்த ஜில்லாவில் களமேட்டிலேயே சிலர் பண அவசரத்தக்காக மாசூலை விற்று ஜில்லாவில் வசூலிக்கும் 1 ரூபாய் சரக்கு 1½ ரூபாய்க்கு விற்கப்படுகிறது. சிலர் செலமையங்களில் 1 ரூபாய் சரக்கு 1½ ரூபாய்க்கு விற்கப்படுகிறது. சிலர் ரெல்லை அரிசியாக்கியும், மணிவாக்கொட்டையை பருப்பாக்கியும் பெரிய ஊர்களுக்கு (Towns) கொண்டுபோய் மண்டிகளில் விற்கிறார்கள்.

2. மாசூல்களை விற்பனை செய்யும் விஷயத்தில் ரஸ்தா, ரோட்டு முதலிய தக்க வசதியில்லாத இடங்களில் விவசாயிகள் தங்களுக்கு ஆதாயம் இல்லாமல் விற்க நேரிடுகிறது. இதற்கு கூட்டு ஏற்பாடு செய்துவைத்தால் சகாயமாயும் ஆதாயமாயும் இருக்கும்.

3. புஞ்சு திலங்கள் ஏகர் 1-க்கு 100 ரூபாய் முதல் 200 ரூபாய் வரையில் விற்கப்படுகின்றன.

(a) (Revenue sale) ராவணியூ விற்பனைகளில் தாளத்தக்கனை விலைக்கு பாகம்தான் செலமையங்களில் விற்கிறது.

(b) கோர்ட்டு டிக்கிரிளின்படி எலம் போட்டால் தாளத்தக்கனை மதிப்புக்கு பாகம் போகிறது.

(c) தனி நபர் விற்பனையில் தாளத்தக்கனை விலைகளும் போட்டியினால் 1-க்கு 1½ ஆக போகிறது. விற்பனர்களுக்கு இது லாபகரமானது.

(a & b) விற்பனைகளால் திலக்காரர்களுக்கு நஷ்டம் ஏற்படுகிறது.

4. பாங்குகளில் ஏற்படுத்தப்படும் டைரொக்டர்கள் விசேஷ சொத்துடையவர்களாய் இருக்கவேண்டும். சந்தாதாரர்களுக்கு கடன் கொடுக்க ஏந்த

கூட்டுதல்கள் பொருள் செய்கிறார்களோ அவர்களிடமிருந்து சந்தர்தாரர்கள் கடன் கொடாமல் தவறாமல் சர்ச்சாஜ் மூலமாய் வருவாகவேண்டும் என்று விதி ஏற்பாடாகவேண்டும்.

6. பயிரிடும் வகுப்பார்களுக்கு கடன் கிடைப்பதற்கு மூலதனம் உடையவர்களுக்கு சப் ரிஜிஸ்ட்ரார் ஆபீசுகளில் வில்லங்க சர்ட்டிபிகேட் இவசமாய் கொடுக்க ஏற்பாடு செய்தால் பயிரிடும் வகுப்பார்களுக்கு கடன்பெற வேண்டியவர்களும், அதிக சகாயமாய் இருக்கும். இந்த ஜில்லாவில் திடம் செய்யாறு, பாலாறு முதலிய நதிகளிலும் மடுகளிலும் அவசியமான இடங்களில் முறையே அணைக்கட்டுகளும் கல்கொண்டங்களும் சர்க்காரில் கட்டி கொடுத்தால் வெள்ள ஜலத்தால் அனேக கிராமங்களில் ஏரிகள் பிரதி வருஷமும் தவறாமல் நிறைந்து நிலங்கள் இருபோக சாகுபடியாகும். இப்படி செய்தால் விளைவு பெருகுவதற்காக கடன் வாங்குவது, பஞ்சத்துக்காக கடன் வாங்குவது முதலிய பஞ்சாயத்த கடன்களுக்கும், படம் கஷ்டங்களுக்கும், பயிரிடும் ஜனங்களுக்கும், சொல்ப சொத்துக்காரர்களும் தங்கள் ஜீவனோபாயமாக தங்கள் ஊர்களை விட்டு பிணங்கு முதலான இடங்களுக்குப் போகும் விஷயம் குறையும். உதாரணமாக, உத்திரமேரூர் ஏரிக்கு செய்யாற்று கால் திருப்ப அணைக்கட்டு இவ்வாறால் பயிரிடும் வகுப்பார்க்குமார் 600 பேருக்கு குறையாமல் தங்கள் ஜீவனோபாயத்திற்கு பிணங்கு முதலான இடங்களுக்குப் போய்விட்டார்கள். இன்னமும் பிரதிமாதமும் போய்க்கொண்டு இருக்கிறார்கள். சுற்றுப்பக்கத்த ஊர்களும் அணைக்கட்டு கட்டினால் கேஷமப்படும்.

இதேமாதிரி திருமக்கூடல் கிராமத்திற்கும் சமீபத்தில் ஒரு அணைக்கட்டும் அவசியம். இன்னமும் அநேக சிற்சில கிராமங்களாகிய பெருங்கோழி, சிறுகோழி இந்த கிராமங்களுக்கு நெல்வாய் மடுவு சமீபமாய் மல்லியங்கரணை ஓடையில் கல் கொண்டங்கள் அவசியம்.

கடன் வாங்கும் ஏழை ஜனங்கள் தங்கள் கஷ்ட நிமித்தம் பணக்காரரிடம் ஒத்திப்பதிரம் எழுதிக்கொடுத்து பூரா வட்டிக்காக ரொக்க முச்சலிக்கா எழுதிக்கொடுக்கிறார்கள். இந்த வழக்கத்தை குறைக்க வழிதேடினால் குறைந்த வட்டிக்கு பணம் ஏராளமாய் கிடைக்கும். ஏழை ஜனங்கள் தங்கள் நிலங்களையே மேலே சொன்ன ஏற்பாடுபடி பயிரிட்டு சொற்ப வட்டியும் கொடுத்து ஜீவிக்கக்கூடும். இதனால் பாங்கிகளுக்கு டிபாசிட் ஏராளமாய் கிடைக்கும்.

பூரா வட்டி கொடுக்கமுடியாமல் வட்டிக்கு பத்திரமும் மேன்மேலும் எழுதிக்கொண்டு வருவதாலும் ஒத்திவைத்து முச்சலிக்கை ரொக்கத்துக்கு எழுதிக்கொடுப்பதாலும் நிலங்கள் ஒத்திவாங்குபவர்களுக்கு அதிக லாபமாய் நிலம் சொந்தமாகிறது. இதனால் ஏழைகளும் சொல்ப சொத்து உள்ளவர்களும் ஊரையிட்டு அன்னிய தேசத்துக்கு குடியேறுகிறார்கள். சுகமாய் ஜீவிக்கிற ஜனங்களும் கூலிவேலை செய்ய விரும்புகிறார்கள். அவர்களுக்கு தக்க சகாயம் இது விஷயத்தில் ஏற்பாடு செய்வது நலமாய் இருக்கும். பணக்காரர்கள் தங்கள் இன்கம்டாக்ஸ் வரியை குறைக்கவும் தாங்கள் அதிக வட்டி தங்கள் பணத்துக்கு பெற ஒத்தியென்று பணம் கொடுத்து ரொக்க முச்சலிக்கா வாங்குகிறார்கள். இதை தடுக்க வழி தேடவேண்டும். இம்மாதிரி சாகுபடி செய்ய குடிசை நடைப்படுவதால் விவசாயத்தில் தங்களுக்கு இருக்கும் உற்சாகத்தை தாங்களே இழந்த விடுகிறார்கள்.

6. நெல் சூத்தல், கட்டைக்காய் உடைத்தல், மாவு அறைத்தல் முதலிய ஆலைகள் 2 இவ்வுளில் இருக்கின்றன. இதனால் குறுகியகாலத்தில் லாபம் குடிகள் அடைகிறார்கள். விவசாயிகள் தாங்கள் பயிரிடும் பூமியில் தங்கள் காலமுழுவதையும் செலவிட அவசியம் ஏற்படுகிறதேயில்லை. விவசாயமில்லாத பருவங்களில் அவர்கள் தக்க வேலைகள், அதாவது கைராட்டினம், நூல் தூற்பத, நெய்வது முதலிய வேலைகளை பாதகமில்லாமல் ஏற்படுத்தி கொடுத்தால் நலமாயிருக்கலாம். இதற்கு ஒத்தாசை செய்ய ஐக்கிய நாணிய பாங்கி மூலமாய் ஏற்பாடு செய்தால் நலம். அவர்களையே பிறகு அந்த துறைக்கு ஈடு செய்துகொள்ள ஏற்பாடு செய்வது அவசியம்.

7. பாங்கில் அல்லது தபால் சேவின்ஸ் பாங்கில் வைக்கும் டிபாசிட்களுக்கு மணியார்டர் கமிஷன் இவ்வாமல் பணம் அனுப்ப ஏற்பாடுசெய்வது நலம். கிராமத்தாங்களில் அனேகர் சங்கங்களுக்கு டிபாசிட் அனுப்புவார்கள். அது

னால் மூலதனம் சேரும். தவிரவும் ஒரு பெரிய கிராமமாகிய இவ்வூர் போன்ற இடத்தில் Treasury ஒன்றும் ஏற்படுத்தினால் ரொம்பவும் அனுகூலம் உண்டு.

III — பணத்தை வட்டிக்குப் போட்டுவைக்கும் வழக்கமும் மூலதனம் சேர்ப்பதும்.

2. சேலிங்கல் பாங்குகளில் பொது ஜனங்களுக்கு சாதாரணமான வசதிகள் செய்யப்படவில்லை. உதாரணமாக, இந்த ஊர் Sub-Post office Savings Bankல் இருந்த அவசரமாக பணம் விட்டா செய்யப்போனால் அப்போது பணம் கையில் இல்லை என்றும் Head Officeக்கு எழுதித்தான் வரவழைக்க முடியுமென்றும் Branch Office களுக்கு அனுப்பிவிடப்பட்டதென்றும் சொல்லும் வழக்கத்தை தடுத்த ஒவ்வொரு டிபாசிட்டினாலும் அவர் வைத்திருக்கும் டிபாசிட்டெ துகையில் குறைந்தபட்சம் பாதி துகை கேட்டவுடன் கொடுக்கும்படி தேவையான Cash Officer இடம் இருக்கும்படி வசதிசெய்து கொடுப்பது நலம். இப்படி செய்யாததால் வர்த்தகர்களும் மற்றவர்களும் அனாமத்த டிபாசிட்டைக்கொள்ளுர்கள். மதுபானம் குடிக்கும் வகுப்பினர் தவிர மற்ற ஏறக்குறைய எல்லா வகுப்பாரும் மிச்ச பணத்தை வட்டிக்குப் போட்டுவைக்கிறார்கள். மதுபானம் ஒழிய வழி ஏற்பட்டால் அந்த வகுப்பாரும் டிபாசிட்டி செய்யமுடியும்.

(Translation.)

I.—Agricultural credit and credit facilities for small industries.

1. In the Chingleput district, agriculturists generally obtain loans from individual persons, co-operative banks and Marwaris and also takavi loans from the Government. They generally obtain loans at 12 per cent per annum. If the amount is large, they raise loans at 9 per cent per annum. The loan is repayable within six years and is raised on the security of immovable properties. Merchants and traders are helped with money to a small extent for cultivation and for making the lands fertile.

Agriculturists obtain loans from the co-operative bank on the security of the produce kept at home.

It is very essential to devise means for reducing the high rate of interest charged by the Marwaris. Each acre of land can fetch a loan of Rs. 10 to Rs. 15.

It will be helpful if loan is granted to the agriculturists, who are in need of it, at the rate of Rs. 10 to Rs. 20 per acre if the same is recovered without interest in four instalments along with the *kist* collected by the Government. If, instead of this, the Government grant *takavi* loans and recover them separately, it will cause hardship to the agriculturists.

It would be better if the Government collect, along with the *kist*, the land improvement loans granted by the co-operative bank to its subscribers and hand over the same to the bank. It would be well if the co-operative bank also co-operates in this matter and carries on its work as stated above. This would better the condition of the agriculturists. Just as the revenue *kist* is collected without any outstandings, the land improvement loans also will be collected without any outstandings.

2. In this district, some persons sell away their produce on the threshing floor itself, as they require money urgently, and some others stock their produce and sell it at a low price. Sometimes, produce which is worth one rupee is sold for one and a half rupees. Some persons convert paddy into rice and groundnut into kernels, take them to big towns and sell them in the *mandis* there.

As regards the sale of produce, agriculturists are obliged to sell it without any profit in places where there are no proper facilities, such as roads and other means of communication. It would be helpful and profitable if an arrangement is made in this behalf on co-operative lines.

2-3. Dry lands are selling at Rs. 100 to Rs. 200 per acre.

(a) In revenue sales, these lands sometimes sell only at one-fourth their proper price.

(b) If they are auctioned in pursuance of court decrees, they sell at three-fourths their actual value.

(c) By private negotiations, they sell at one and a quarter times their proper price on account of competition. This is profitable to the sellers.

Landholders incur a loss from the sales referred to in (a) and (b).

4. Those who are appointed as directors of banks should own extensive property. A rule should be laid down that, if the subscribers fail to repay the loans taken by them, the amount should be recovered by means of surcharge from the directors who have recommended these loans.

5. If, in the matter of securing credit facilities to the agricultural classes, arrangements are made for the grant of encumbrance certificates by the Sub-Registrar's Offices free of charge to persons possessing capital, it will not only reduce the expenditure incurred by these classes in this connexion but will also be very helpful to them. If the Government construct anicuts in rivers like the Cheyyar and the Palar, which flow through this district, and small masonry reservoirs at ponds for purposes of irrigation at the necessary places, the tanks in many villages will invariably be filled every year by the freshes and the lands will become fit for raising two crops. If this is done, the practice of the agriculturists and persons possessing small property of leaving their villages and going to Penang and other places for eking out their livelihood on account of the various debts incurred by them in connexion with the sinking of wells, famine relief, etc., and of the hardships experienced by them in their villages, will decrease. For instance, as there is no anicut to divert the water from the Cheyyar to the Uttiramerur tank, not less than 500 persons belonging to the agricultural classes have gone to Penang and other places for eking out their livelihood. The agriculturists are still leaving for those places every month. The neighbouring villages also will prosper if an anicut is constructed. Similarly, the construction of an anicut is necessary near the Tirumakkudal village also. Again, the construction of masonry reservoirs is necessary at the Malliyankaranai channel near the Nelvay pond for several small villages like Perunkoli and Sirukoli.

The poor people, who borrow money, execute, on account of their difficulties, usufructuary mortgage deeds in favour of rich persons as well as cash bonds (muchilikas) for the full interest they have to pay. If means are devised to check this practice, money will be largely available at a low rate of interest. The poor people can, under the aforesaid arrangement, cultivate their own lands and manage to live, paying the low rate of interest. As a result of this, banks will get deposits on a large scale.

As the poor people go on executing deeds for the interest due, being unable to pay the full interest, and as they execute cash bonds on usufructuary mortgage, their lands very easily become the property of the mortgagees. On account of this, poor people and persons possessing property to a small extent leave their places and emigrate to foreign countries. Even those who lead a happy life wish to work for wages. It would be well if proper assistance is afforded to them in this respect. With a view to reduce their income-tax and secure a high rate of interest for their money, rich persons advance money on usufructuary mortgages and obtain cash bonds. Means should be devised to put an end to this practice. As agriculturists thus sustain a loss, they themselves lose their enthusiasm in agriculture.

6. There are two mills in this place which are used for such purposes as the hulling of paddy, decortication of groundnuts and the grinding of flour. The people derive profits from these in a short period.

There never arises the necessity for agriculturists to spend their whole time in the fields they cultivate. It may be well if arrangements are made for their taking to suitable industries such as hand-spinning and weaving during seasons when they have no cultivation work, without prejudice to it, and for the co-operative bank, rendering assistance in this matter. It is also necessary to make arrangements for their recouping that amount themselves later.

7. It would be well if an arrangement is made so that no money order commission is charged for money remitted to banks or to the post office savings bank for being deposited therein. Many persons in the villages will remit money to societies for being deposited therein. This will augment the capital of these societies. Further, it would be highly advantageous if a treasury is established in a big village like this.

III.—Investment habit and attraction of capital.

All possible facilities have not been afforded in savings banks to the people. For instance, the practice of the sub-postmaster of this place saying, whenever depositors go to the post office to withdraw money from the savings bank urgently, that there is no money on hand, that it can be obtained only by writing to the head office and that the money has been remitted to the branch offices, should be checked and arrangements should be made for sufficient cash being left in the hands of the official concerned for enabling him to pay at least half the amount deposited by a person as soon as it is demanded. As this is not done, merchants and others deposit their money in suspense account. Excepting those who are addicted to drink, almost all the other classes invest their savings. If means are devised for getting rid of drink, even those who are addicted to drink can make deposits.

Written evidence of M.R.Ry. C. KANDASWAMI GUPTA Avargal,
Secretary, the Tisayinvilai Union, Limited, Madura.

I.—விவசாய சம்பந்தமாய் கடன் கிடைப்பதும் கீறிய தொழில்களுக்கு
கடன் கிடைப்பதற்கான வசதிகளும்.

1 (a), (b) and (c).—இங்குள்ள விவசாயிகளை, சொந்த நிலத்தில் பயிர் செய்யும் விவசாயி என்றும், பிறர் நிலத்தைக் கட்டுவதற்குக்கோ அல்லது வாரத்திற்கோ எடுத்து, பயிர் செய்யும் விவசாயி என்றும், இந்நவகையாகப் பிரிக்கலாம்.

சொற்ப நிலம் சொந்தமாக வைத்திருக்கும் விவசாயிகள், பயிர் செய்வதற்காக வற்புடும் செலவிற்கு, சாதாரணமாக, அந்தந்த ஊரிலுள்ள லேவா தேவிக்காரர்களிடம், தங்க நகை ஈட்டின் பேரிலாவது, அல்லது, புரோதோட்டின் பேரிலாவது, மாதம் ஒன்றுக்கு ரூபாய் 100-க்கு வட்டி ரூபாய் 2 வீதம், கடன் வாங்குகிறார்கள். இப்படி வாங்கப்படும் கடன்கள், பெரும்பாலும், விவசாயிகள் செய்யப்போகும் பயிரின் மாகூல் கால அளவை தீர்ணயித்து, கடன் வாங்கும்போதே வட்டி முழுவதையும், முன் அட்வான்ஸாகக் கொடுத்து விட்டே, வாங்குவது வழக்கமாயிருக்கிறது. விவசாயிகள் தங்கள் நாணயப் பொறுப்பை உணர்ந்து, குறிப்பிட்ட காலத்தில், வாங்கிய கடனைச் செலுத்தி விடுகிறார்கள். அதனால் அவர்கள் தங்கள் மாகூலை குறைந்த விலைக்கு, விற்பனை செய்ய நேரிகிறது. பயிர் செய்வதற்காக வாங்கப்படும் கடனுக்குக் கொடுக்கப்படும் கடுமையான வட்டியினாலும், விளைந்த மாகூலை, மார்க்கட்டு அறிந்து விற்பனை செய்ய முடியாததாலும், உண்மையில், விவசாயிகள், தாங்கள் செய்யும் வேலைக்குத் தகுந்த கூலியுங்கூட பெறுவதற்கு முடியவில்லை.

இனி இவர்கள் தங்கள் நிலங்களைச் சீர்திருத்தஞ் செய்து, சாகசவதமான அபிவிருத்திக்கு கொண்டுவரவேண்டுமானாலும், மேலே சொல்லிய முறையைத்தான், அனுசரிக்கவேண்டியதாயிருக்கிறது.

கடுமையான வட்டிக்குக் கடன் வாங்கி, நிலம் சீர்திருத்தஞ் செய்ய, எந்த விவசாயியும் துணியமாட்டான். அப்படிச் செய்வானாயின், குளிக்கப்போய் சேற்றைப் பூசியதுபோல், சீர்திருத்தஞ் செய்து அபிவிருத்திக்குக் கொண்டுவரப்பட்ட நிலத்தை கடன்காரனுக்குக் கொடுத்துவிட்டு பாப்பராவான் என்பது நிச்சயம்.

இனி சர்க்காரிலிருந்து நில சீர்திருத்தஞ்செய்ய, கொடுக்கப்படும் கடனால் விவசாயிகள் அனுகூலம் பெற முடியுமாவென்று கவனிப்போம். சர்க்காரிலிருந்து கொடுக்கப்படும் கடன்கள், குறைந்த வட்டிக்குக் கொடுக்கப்படுகின்றன. விவசாயிகள் சீர்திருத்தஞ் செய்யப்பட்ட நிலத்திலிருந்து, கிடைக்கும் மாகூல் வருமானத்திலிருந்தே, கடனைத் திரும்ப செலுத்தத்தக்க வழியிலும் வாய்தாக்கள் தீர்ணயித்து, சென்கரியங்களும் செய்து கொடுக்கப்பட்டிருக்கின்றன. ஆனால், உண்மையில் விவசாயிகள் இந்த அனுகூலங்களை அதுபவிக்க முடியவில்லை. இதில் சீர்திருத்தமேவேண்டியது அவசியம். ஒரு விவசாயி தன் நிலத்தை சீர்திருத்தஞ்செய்ய, கடன் விண்ணப்பம் தாசில்தாருக்கு அனுப்பினால், குறைந்தது, ஆறுமாத காலத்திற்குப் பின்புதான் கடன் சாக்கடிச் செய்யப்படுகிறது. இதற்கிடையில் அந்த விவசாயி அனுபவிக்கும் துன்பங்களும் பொருள் செலவும் மிகவும் அதிகம். கடன் விண்ணப்பம் எழுதும்போதே கிராமக் கர்ணனுக்கு ஏற்படுத்தப்பட்டுள்ள கமிஷன் 100-க்கு 5 கொடுத்துவிட்டேண்டும். பின்பு, அந்த மனு ரெவினியூ இன்ஸ்பெக்டரால், சிபார்சு செய்யப்படவேண்டியதிருக்கிறது. அவர் கர்ணனைவிட சற்று உயர்ந்த உத்தியோகஸ்தர் ஆதலால், அவருக்கு ரூபாய் 100-க்கு 7 ஏற்படுத்தப்பட்டிருக்கிறது. இவ்வளவையும், ஏழை விவசாயி கொடுத்து, மனு தாவினான் ஆபீசுக்குப் போனாலும், அங்குள்ள குமாஸ்தாக்களும், சேவுகர்களும், தங்கனையும் கண்காணிக்கும்படி வேண்டுகிறார்கள். இதற்கிடையில், அந்த மனு தாவினான் ஆபீசுக்கும், ரெவினியூ இன்ஸ்பெக்டருக்கும் பலமுறை வந்த

கொண்டும் போய்க்கொண்டிருக்கிறது. ஏழை விவசாயியும் பண ஆத்மி ரத்தால், பன்முறை தாலாகா ஆட்சிக்கும் போகவேண்டியவனாயிருக்கிறான். இதனால் அவனுக்கு ஏற்படும் செலவு மிக அதிகம். ஆகவே, ரூபாய் 100-க்கு குறைந்தது இருபதாவது, இவன், முன்னால், பலதகைகளிலும் செலவு செய்து திரவேண்டியதாயிருக்கிறது. முதலில், இவன், ரூபாய் 100-க்கு 6½ வட்டிக்கு கடன் வாங்குவதாக நினைக்கிறான். முடிவில் கணக்குப் பரக்கும் போது, குறைந்தது 12 அல்லது, 14 வட்டிவரையும் ஆகிறது என்பதை ஒரு வரும் மறுக்கமுடியாது. இவ்வளவு கஷ்டநஷ்டங்களுக்கு இவன் ஆளானாலும், சில சமயங்களில் கடன் பட்டுவாடா செய்யப்படாமலும், போய்விடுகிறது. ஒருவாறு கடன் பட்டுவாடாவானாலும், இந்த ஏழை விவசாயி, ஸ்தலம் ரெவினியூ இன்ஸ்பெக்டருக்கு, என்றும் ஊழியக்காரனாகயிருந்து, வேண்டும் பொருள் கொடுத்து, உதவிக்கொண்டிருக்கவேண்டியவனாயிருக்கிறான். இவ்வேளையின் அவலால் வாங்கப்பட்ட கடன் தூர்வினியோகப்படுத்தப்பட்டதென்று ரிப்போர்ட்டிச் செய்யப்படும். வாங்கிய கடன் தொகை முழுவதையும் ஒரே மொத்தமாக வசூல் செய்ய ஏற்பாடு செய்துவிடுவார். ஆகவே ஒரு முறை இந்தக் கடனை வாங்க முயற்சி செய்த விவசாயி மறுமுறை வாங்க கொஞ்சமும் விரும்பமாட்டான். இது அதுபலத்தில் தவ்வொரு கிராமத்திலும் நடைபெற்றுக்கொண்டிருக்கிறது. அதனால், இந்த ஏற்பாட்டில் ஒரு வரும் கடன் வாங்க முன் உராமலிருக்கிறார்கள். ஆகவே, 1883-வது வருஷத்திலே தில் தீர்த்துத்தக் கடனைக் குத்தக் ஆக்டம், 1884-வது வருஷத்திலே, விவசாயிகளைக் குத்தக் ஆக்டம், உண்மையில், குடிசைக்கு, இப்பொழுது இருக்கிற நிலைமையில், ஒருவித நன்மையும் செய்யப்போகிறதில்லை.

இனி இம்மீரியல் பாங்கு, ஜாயின்டு ஸ்டாக்கு பாங்கு முதலிய பாங்குகளில் இந்த விவசாயிகளுக்கு, தங்கள் நிலங்களை சாஸவதமான அபிவிருத்தி செய்வதற்கு கடன் வாங்கமுடியாது. பொதுவாக பிரஸ்தாப பாங்குகள் வியாபார தோரணையில், குறுகிய காலக்கடன்கள் மட்டுமே, கொடுக்கின்றன. இவைகளால் எந்த விதமான உபயோகமும் இவர்களுக்கு கிடைப்பதாகச் சொல்ல முடியாது.

பருவ மழை பெய்யாமற்போனாலும், அல்லது நிலவரி செலுத்தவேண்டிய காலத்திலும், இவர்கள் முன்னால் சொன்னதுபோல உள்ளூரிலுள்ள லேவாதேவிக்காரர்களிடமே சென்று, கடுமையான வட்டிக்கு, கடன் வாங்குகிறார்கள். நம்க,

மேலே சொன்ன கஷ்டங்களையெல்லாம், ஒருவாறு, நிவிர்த்தி செய்வதற்கு கூட்டுறவுச் சங்கங்கள், அங்கங்கே, ஸ்தாபிக்கப்பட்டிருக்கின்றன. இந்த விவசாயிகளுக்குச் சாசுவத நில அபிவிருத்திக்காகவும், விவசாய செலவுக்காகவும், அவ்வப்போது வேண்டும் கடன், குறைந்த வட்டிக்குக் கிடைக்கிறது. இவர்கள் வாங்கும் கடன்களுக்கு சொத்து அட்டமானம், அல்லது தக்க ஜாமீன் பேரில் ஈடு வாங்கப்படுகிறது. வீளையும் மாசூல், விவசாயியின் கைக்கு வரும் காலத்தை அநுசரித்து, தவணைகள் தீர்ணயஞ் செய்யப்படுவதால், கடன் வாங்குபவர், கஷ்டமின்றி, அசலையும், வட்டியையும், சங்கத்திற்குச் செலுத்த சௌகரியம் ஏற்படுகிறது. மாசூலை, விவசாயி மார்ச்சட்டில் நல்ல விலை மதிப்புடன், தவணை காலத்தில் விற்பனை செய்யமுடியாமற்போனால், ஷே. மாசூலைச் சங்கத்திற்கு ஈடு காட்டி தவணைப்படி சங்கக் கடனை தீர்த்துவிடவும், வசதி ஏற்படுத்தப்பட்டிருக்கிறது. ஆகவே, இம்முறையில் விவசாயிகள், அது பவிக்கும் கஷ்டத்திலிருந்து ஒருவாறு சிறிது நீக்கப்பட்டிருக்கிறார்கள்.

இனி, நிலம் சொந்தமில்லாத விவசாயிகள், ஏராளமாக நிலம் வைத்துக் கொண்டிருக்கும், நிலக்காரர்களிடம் கட்டுக் குத்தகைக்கோ அல்லது வாரத்திற்கோ தலம் வாங்கி பயிர் செய்கின்றனர். கட்டுக் குத்தகைக்கு எடுத்துப் பயிரிடும் விவசாயிகள், நிலச் சொந்தக்காரர்களுக்கு, வீளைகிற மாசூலில் முக்தால் பாகத்தக்கு குறையாத அளவை கொடுப்பதாக, ஒப்புக்கொண்டு பயிர் செய்தாலொழிய, பொதுவாக அவர்களுக்கு நிலங்கள் கிடைப்பது அருமை. இந்த வகுப்பு விவசாயிகளுக்கு, சாதாரணமாக நிலக்காரர்களே, பயிரிடும் செலவுக்கு கடன் கொடுக்கிறார்கள். இந்தக் கடனை விவசாயிகள் உாங்கும்போது, வீளைகிற மாசூலின் காலக் கிரயத்திற்கு முக்கால் விலைக்கு தங்களுக்குக் கிடைக்கும் மாசூலை நிலக்காரர்களுக்குக் கொடுத்துவிடுவதாக ஒப்பந்தம் செய்துகொள்ளுகிறார்கள். மாசூல் அறுவடையானதும் நிலச் சொந்தக்காரர்

முதலில் தன் கட்டுக்குத்தகையையும், பின்னால் கொடுத்த கடனுக்கு ஒப்பந்தப் படிபடியுள்ள மாசுலையும் கைப்பற்றிக்கொள்ளுகிறான். இந்த முறைதான், வாரத்துக்கு நிலம் வடுத்து பயிர் செய்யும்போதும் அறுசரிக்கப்படுகிறது. ஆகவே கஷ்டப்பட்டுப் பயிரிட்ட விவசாயிக்கு, கடைசியில் மிஞ்சுவது கொஞ்சமும் அதிகமில்லை.

இவர்களுக்கு உள்நூரில் வேலாதேவி செய்யும் சாவுக்காரர்களை கடன் கொடுக்க மறுப்பார்களென்றால், சர்க்காராவது அல்லது இதர பாங்கிகளாவது எங்கனம் உதவி செய்யக்கூடும்! கூட்டுறவு சங்கங்கள்கூட இந்த வகுப்பு விவசாயிகளுக்கு கடன் கொடுக்க மறுக்கிறது. ஆகவே, இவர்கள், ஆதரவற்ற நிலையில் நிலச்சுவான்தார்கள் கைபார்த்துப் பிழைத்துக்கொண்டிருக்கிறார்கள்.

இந்த வகுப்பாருக்குத்தான் சர்க்கார், முதன் முதல் பரிசாரஞ்செய்ய வழி தேடவேண்டும். பெரும்பாலுமுள்ள ஆதிதிராவிடர்களே இந்த திர்ப்பாக்கியமான திசையில் இருக்கின்றனர். இவர்களை முன்னேற்றுவதற்கு கூட்டுறவு சங்கங்கள்தான் முக்கிய சாதனமாக உபயோகப்படும். ஆதிதிராவிடர்களுக்கு, எங்கும் தனித்தனி சங்கங்கள் ஸ்தாபித்துக் கொடுக்கவேண்டும். இதர வகுப்பார்கள், ஆதிக்கம் பெற்றுள்ள சங்கங்களிலிருந்து அவர்களைக் கண்டிப்பாக விலக்கிவிடவேண்டும். ஆதிதிராவிடர்களுடைய சங்கங்களை பெல்லாம், லேபர் டிபார்ட்மென்டார், தங்களுடைய சொந்த நேரான மேற்பார்வையின்கீழ் வைத்துக்கொள்ளவேண்டும். கூட்டுறவு ஸ்தாபனங்களின் ஆலோசனையை, அவ்வப்போது கேட்டுத் தெரிந்தகொண்டு லேபர் டிபார்ட்மென்டார் இவர்களுக்கு வேண்டும் உதவிகளைச் செய்துகொண்டிருக்கலாம்.

இதர கூட்டுறவு சங்கங்களைவிட, ஆதிதிராவிடர் சங்கங்களுக்கு, சர்க்கார் விசேஷ சலுகை காட்டவேண்டியது, இன்றியமையாதது. மற்ற சங்கங்களைப்போல், ஆதிதிராவிடர் சங்கங்கள், ஜில்லா சென்ட்ரல் பாங்கில் கடன் வாங்கி, மெம்பர்களுக்கு 10 வட்டிக்கு கொடுப்பதால், அதிக நன்மையடைய உட்பட்டார்கள். ஆதிதிராவிடர் சங்கங்களுக்குக் குறைந்த வட்டிக்குப் பண உதவி செய்வதற்கு, சர்க்கார் சிறிது கருணை காட்டவேண்டும். ஒவ்வொரு ஜில்லாவிலும் கோர்ட்டில் தாவாக்காரர்களால், மத்தியஸ்தமாகக் கட்டப்படும் தொகைகள், லட்சக்கணக்காக இருக்கின்றன. அதனை இம்பீரியல் பாங்கில், டெபாலிட் செய்வதை நிறுத்தி, அந்தந்த ஜில்லாக் கூட்டுறவு சென்ட்ரல் பாங்கில், டெபாலிட் செய்யவேண்டும். இந்தத் தொகையை ஆதிதிராவிடர் சங்கங்களுக்கும்மட்டும் ஒதுக்கி வைக்கவேண்டியது. ஆதிதிராவிடர் சங்கங்களுக்கு, கடன் வேண்டும்போது, லேபர் டிபார்ட்மென்டார் மூலமாக, 2 அல்லது 2½ வட்டிக்கு, அதிகப்படாமல், கடன் கொடுத்து உதவவேண்டும். உண்மையில், ஆதிதிராவிடர் சமூகத்தை முன்னேற்றவேண்டுமென்று, பிரிட்டிஷ் சர்க்கார் விரும்பினால், இந்த ஏற்பாட்டைக் கைக்கொள்ளலாம். இதனால் சர்க்காருக்கு எவ்வித கஷ்டமோ, அல்லது நஷ்டமோ ஏற்படப்போவதில்லை. இந்த குறித்த ஆலோசனையை, சர்க்கார் தங்கள் கவனத்துக்கு எடுத்துக்கொள்ளுவார்களென்று எதிர்பார்க்கிறேன்.

இனி, ரெவினியூ டிபார்ட்மென்டார், அமுல் நடத்திவரும் 1883-வது வருஷத்து நிலச் சீர்திருத்த கட்டளைக் குறித்த ஆக்கையும், 1884-வது வருஷத்து விவசாயிகளைக் குறித்த ஆக்கையும், அவர்களிடமிருந்து லேபர் டிபார்ட்மென்டுக்கு மாற்றிவிடவேண்டியது. மேலே குறித்த ஆக்களை, லேபர் டிபார்ட்மென்டார் அமுல் நடத்துவார்களானால், அந்த ஆக்கெளின் பலனை குடிகள் அறுபவிக்கமுடியும் என்று நம்புகிறேன். ஆனால் லேபர் டிபார்ட்மென்டில் ஊழியத்தில் அமர்த்தப்படும், இன்ஸ்பெக்டர்கள் போன்ற தாழ்ந்த உத்தியோகஸ்தர்கள், கூட்டுறவு இலாகா ஊழியர்களைப் போலவும், விலாசமான நோக்கமுடையவர்களாயும், சுயநலம், பிரதி பிரயோஜனம் கருதாதவர்களாயிருக்கவேண்டும். லேபர் டிபார்ட்மென்டார் கூட்டுறவு இலாகாவிலுள்ள அறுபவமுள்ள ஊழியர்களை அமர்த்திக்கொள்வது மிகவும் பரிசுத்தமாயிருக்கும்.

4. முதலாவது கேள்விக்கு கொடுத்த விடையில் விவரித்துள்ளபடி, நிலம் சொந்தக்காரர்கள், தங்கள் நிலங்களை சாசுவதமான அபிவிருத்தி செய்

வதற்கு, வேண்டிய நிரவிய சகாயம் செய்யத்தக்க ஸ்தாபனங்கள் ஏதுவுமில்லை. கூட்டுறவு சங்கங்களிலுங்கூட நீண்ட காலக்கடன்கள் விவசாயிகளின் செளகரியத்திற்குத் தகுந்தாற்போல், கொடுக்கமுடியாமலிருக்கிறது. இந்த தேவையைப் பூர்த்தி செய்வதற்கு, நில அடமான பாங்கிகள் மிகவும் அவசியமென நிபுணர்களால், முடிவு கட்டப்பட்டுள்ளது. சென்னை மாநகரத்தில், நில அடமான பாங்கிகள் ஸ்தாபனஞ் செய்வதில், பலர் முயற்சித்துக் கொண்டிருக்கின்றார். இனி ஏற்படுத்தப்போகும் நில அடமான பாங்கில், வேலை நடத்துவதற்காக வேண்டியிருக்கும் மூலதனம், டிபாஸிட்டனாலும், 'டிபஞ்சர்' என்ற கடன் பத்திரங்களாலும், மற்றும் பணம் லேவாதேவி செய்யும், மத்திய ஸ்தாபனங்களுடைய உதவியாலும், பங்குத் தொகையாலும் இருக்கவேண்டும்.

பங்குத் தொகை.—நில அடமான பாங்கிலுள்ள ஒவ்வொரு மெம்பரும், பங்குகள் எடுப்பதைப்பற்றி ஒரு திட்டம் நிர்ணயித்துக்கொள்ளவேண்டும். ஒரு பங்கின் விலை ரூபாய் 50 ஆனால், ஒரு பங்குக்காகக் கொடுக்கப்படும், கடன் ரூபாய் 1,000 என்று திட்டப்படுத்தவேண்டியது. ஒரு மெம்பருக்கு, 20 வருஷம் முதல் 30 வருஷம் வாயிதாவுக்குள் நீண்ட காலக்கடன், அவர் சொத்து மதிப்பை அனுசரித்து, ஐந்தில் ஒரு பாகம் கடன் கொடுக்கப்படவேண்டும். மேலும் ஒரு மெம்பருக்குக் கொடுக்கப்படும் கடன் மொத்தம் எக்காலத்திலும், ரூபாய் 5,000-க்கு மேற்படக்கூடாது.

இத்தகைய பாங்கியில், மேற்கூறியபடி, பங்கு ஒன்றுக்கு ரூ. 50 வீதம், குறைந்தது 5,000 பங்குகளாவது, ஒரு ஜில்லாவில் சேர்ந்து 2½ லட்ச ரூபாய், பங்கு மூலதனத்தை அடையுமாறால், அந்த ஜில்லாவில் ஒரு நில அடமான பாங்கி நடைபெறலாம். மேலு பங்குத் தொகை எளிதாகச் செலுத்தத் தக்கவாறு, தவணைகள், நிர்ணயித்து பைலா அமைத்திருத்தல்வேண்டும்.

'டிபஞ்சர்' கடன் பத்திரம்.—இனி, பங்குத் தொகைக்கு அடுத்தாற்போல், நில அடமான பாங்கின் மூலதனம் டிபஞ்சர் கடன் பத்திரங்கள். இப்பத்திரங்கள்தான், நில அடமான பாங்கின் உயிர் தலை. பாங்கிற்குப் பணம் தேவைப்படும்போது, ரூபாய் 1,000, 500, 250, 100, 50 விலையுள்ள, டிபஞ்சர் கடன் பத்திரங்கள், 12 முதல் 20 வருஷங்களுக்குள், திருப்பிக்கொடுக்கும் நிபந்தனையின்பேரில், வெளியிடப்படும். இந்த ஆதாரத்தின்பேரில், வாரங்கும் கடன் தொகைக்கு, 100-க்கு 7-வீதம், பாங்கார் வட்டி கொடுக்கவேண்டும். இந்த டிபஞ்சர் பத்திரங்களை விலைக்கு வாங்கியவர்கள், அதில் குறிப்பிட்ட வாயிதாவுக்கு முன்னர் பணம் தேவைப்படுவாரைகளால், மற்றவர்க்குமிடம் விற்கலாம்; அல்லது சர்க்காரோ, அவற்றைச் சரியான தொகைக்கு விலைக்கு வாங்கிக்கொள்ளவேண்டும். எக்காலத்திலும் கவரன்மென்டார், பாங்கில் வசூலாகும் பங்குத்தொகையும், சேஷமநிதியுஞ் சேர்ந்து, 2 பங்கு அளவு, டிபஞ்சர் கடன்பத்திரங்களை, 6 அல்லது 6½ வட்டிக்கு விலைக்கு, எடுத்துக் கொள்ளவேண்டும். இந்த விஷயத்தில் அரசாங்கத்தாரின் உதவி மிகவும் அவசியமெனும். அவர்கள் மிகுந்த உதாரணத்துடன் நடந்துகொள்ளவேண்டும். கடன் பத்திரங்களின் விலையோ அல்லது, அதன்மேல் செலுத்தப்படும் வட்டி விதிமோ, மார்க்கட் விலைமதிப்பைவிடக் குறைந்துபோகாவண்ணம் கவரன்மென்டார் மிகுந்த சிரத்தை எடுத்து, பாதுகாப்பளிக்கவேண்டியது. எனென்றால், அவற்றின் விலை எப்பொழுது குறைந்துவிட்டதோ, அப்பொழுதே நில அடமான பாங்கி என்னும் கட்டிடம், நொறுங்கிக் கீழே விழுந்து தடுபொடியாகிவிடும். பொதுஜனங்களுக்கு, டிபஞ்சர் கடன் பத்திரங்களில் அவதம்பிக்கை ஏற்படவும், அதனால், அவர்கள் அப்பத்திரங்களின் ஆதாரத்தின்பேரில், பாங்கிக்கு கடன் கொடுக்க முன்வராமல் இருக்கவும் தோரிடும். ஆகையால், இத்தகைய டிபஞ்சர் கடன் பத்திரங்களின், அசல் விலை, வட்டி விதிதம், இவ்விரண்டும் மார்க்கட்டு விலையைவிட மிகவும் குறைந்துபோகாதபடி தகுந்த பாதுகாப்பு அளிக்கவேண்டியது, அரசாங்கத்தாரின் பொறுப்பான கடமையாகும். டிபஞ்சர் கடன் பத்திரங்களின் அசல்விலை அல்லது வட்டி விதிதம் இவ்விரண்டிலு ஏதாவது ஒன்றிற்குப் பாதுகாப்பு அளித்தால் போதாது என்று அரசாங்கத்தார் அசிரத்தையாய் இருக்கக்கூடாது. இவ்விரண்டிற்கும் பாதுகாப்பு அளியும் அளித்தே தீர

தேண்டுமென்று மிகவும் அழுத்தமாகத் தெரிவித்துக்கொள்ளுகிறேன். அவ் ஶாறு செய்யவில்லையானால், ஏற்படுத்தப்படும் நில அடமான பாங்கு, உயி ராற்ற உடலுக்கே சமமானதாகும்.

டெபாஸிட்.—இனி நில அடமான பாங்குகளின் மூலதனம், டெபாஸிட் மூல மாகவும் சேகரிக்கவேண்டும். நில அடமான பாங்கி என்னும் கட்டிடத்திற்கு பங்குத்தொகை அஸ்திவாரமாகவும், டிபஞ்சர் கடன் பத்திரங்கள் கருங்கல்லா லாகிய உறுதியான சுவராகவும், இருப்பதுபோல டெபாஸிட் முதலானவை கள் அச்சவரின் மேலெழுப்பப்பட்ட கூரையாய்மிருக்கிறது. நில அடமான பாங்கிற்கு அரசாங்கத்தாரால் அளிக்கப்படும் உறுதியான பாதுகாப்பின் பேரில்தான் பொது ஜனங்களுக்கு நம்பிக்கை ஏற்பட்டு நீண்டகால டெபா ஸிட் செய்ய துணிவு ஏற்படும். ஆகவே, நில அடமான பாங்கிகள் வெளி யிடும் டிபஞ்சர் பத்திரத்தை சர்க்கார் எவ்வளவு தொகைக்கு விலைகொடுத்து வாங்கிக்கொள்ளுகிறார்களோ அதைப் பொறுத்துத்தான் பொதுஜனங்களு டைய டெபாஸிட்டும் இருக்கும். டெப்பாஸிட்டுப் போடக்கூடிய வெளி யார்களுக்கு, அரசாங்கத்தாரோ உறுதியான நம்பிக்கையை உண்டுபண்ண வேண்டும். ஜனங்களால் டெபாஸிட் செய்யப்படும் தொகைக்கு கால அளவை நிர்ணயித்தே வட்டி விதிதமும் ஏற்படுத்தவேண்டும். பத்து வருஷத் தவணைக்கு மேற்பட்ட டெப்பாஸிட்களுக்கு, 5 வட்டி வரையும் கொடுக்கலாம்.

மேற்கூறியவாறு அமைக்கப்பட்ட ஒரு நில அடமான பாங்கியானது எவ் வெக்காரியங்களுக்கு என்ன வட்டி விதிதம் கடன் கொடுத்தல்வேண்டும், இப் பாங்குகள் யாருடைய ஆதிக்கத்தின் கீழ் இருக்கவேண்டும், அடமானம் செய்யப்படும் நிலங்களின் பாத்தியதை அளவு விலைமதிப்பு முதலியன எப் படி பரிசீலனை செய்யவேண்டும் என்னும் விஷயங்களை இனி கவனிக்கவேண் டும்.

இதன் முக்கிய நோக்கங்கள் நில அடமானத்தின்பேரில் 20 அல்லது 30 வருடகாலங்களுக்குக் கடன் கொடுக்கவேண்டிய அளவு மூலதனம் சேகரித் தல், அங்கத்தினர்களின் பொருளாதார நிலையை உயர்த்துதல், நிலங்களின் பேரிலுள்ள முன் அடமானங்களை மீட்டி பழைய கடன்களை தீர்த்தல், நிலங் களை நல்ல வளப்படுத்த்தல், நூதன முறையல் சாகுபடி செய்வதற்குவேண் டிய ஏற்பாடு செய்துகொடுத்தல் பொதுவாக அங்கத்தினர்களுக்கு சிக்கனம், சுயஉதவி, கூட்டுறவு இவைகளை விருத்திசெய்தல் இவைபோன்றவைகளாய் இருத்தல்வேண்டும். இத்தகைய காரியங்களுக்குக் கொடுக்கப்படும் தொகை களின் வட்டி விதிதம் வருஷம் 1-க்கு ரூ. 100-க்கு 7½ அல்லது 8-க்கு மேற்படக்கூடாது. அடமானம் செய்து கொடுக்கப்படும் சொத்துக்களின் முன் விலைவங்கங்கள் இல்லையென்று சோதித்து அறிந்த பின்னரே, கடன் கொடுத்தல்வேண்டும். சப்-ரிஜிஸ்தரார் ஆபீசிலிருந்து வில்லங்க சாட்டிபிக் கேட்டுகள் இனமாக அளிக்கப்படவேண்டும். கொடுக்கப்பட்ட கடன்கள் எக்காரியத்துக்கு என்று கொடுக்கப்பட்டனவோ அக்காரியத்திற்குத் தான் உபயோகப்படுத்தப் பட்டனவாவென்று நன்கு கவனிக்கவேண்டும். இது விஷயத்தில் மிகவும் எச்சரிக்கையா யிருக்கவேண்டியது அவசியம். ஏனெ னில், தற்போதுள்ள ஐக்கிய சங்கங்களில் மெம்பர்கள் ஒரு காரியத்தைக் குறிப்பிட்டு கடன்வாங்கி வேரோர் காரியத்திற்கு செலவுசெய்து விடுகின்ற னர். இதனால் தான் ஏராளமான தவணைகடந்த பாக்கிகள் வருவாகாமல் திற்பதற்கு ஓர் முக்கிய காரணம்.

இனி, அடமானஞ் செய்யப்படும் நிலத்தின் பாத்தியதை, அளவு, விலை மதிப்பு முதலியவற்றைப்பற்றி அறிய நிலங்களிருக்கும் கிராமத்தின் கர்ண னும், கிராம முனிசீபும் உதவியேற்படவேண்டும். இது விஷயத்தில் ரெவி னியூ இன்ஸ்பெக்டரும், அவ்வப்போது வேண்டும் நோத்தில் வந்த உதவி செய்யவேண்டும். தவிரவும் இவ்வேலைகளைப் பொறுப்புடன் செய்துமுடிப் பதற்கு அரசாங்கத்தாரின் ஆதிக்கத்திலும் சம்பளத்திலும் ஒவ்வொரு நில அடமான பாங்கிற்கும் நான்கு அல்லது ஐந்து மேற்பார்வையாளர்கள் நிய மனஞ்செய்யவேண்டும்.

தற்கால ஐக்கிய சங்கங்களின் ரிஜிஸ்தரார் அவர்களே நில அடமான பாங் குகளின் பாதுகாப்பாளராக இருந்துவரவேண்டும்.

சென்னையில் மாஹாண முழுமையும் எல்லையாகக்கொண்ட ஒரு மாஹாண நில அடமான பாங்கி ஏற்படுத்தவேண்டும். ஜில்லா நில அடமான பாங்கிகள் எல்லாவற்றையும் மத்திய நில அடமான பாங்குடன் சேர்க்கவேண்டும். இந்த நில அடமான பாங்கித் திட்டம் நிறைவேற்றினால்மட்டும், விவசாயிகளின் கஷ்டம் முற்றிலும் நீங்கும் என்பது என்னுடைய தாழ்மையான அபிப்பிராயம்.

6. விவசாயத்திற்குச் சம்பந்தப்பட்டதும், இடையில் அழிந்து, இப்போது உயிற்பெற்று விருத்தியாகிக்கொண்டு வருவதமாகிய 'குடிசைக் கைத் தொழில்' ஒன்றைப்பற்றி, இங்கு விவரித்துக் கூறவேண்டியது மிகவும் முக்கியமானதாயிருக்கிறது.

இத்தியக் கைத்தொழிலில் தலை சிறந்ததும், முன்னொரு காலத்தில் மிகவும் சிறப்புற்றிருந்ததுமான, கையினால் நூல் நூற்றல் தொழில் அழிந்து போனதற்குக் காரணம், அரசாங்கத்தாரின் உதவி இல்லாமையே. அக்காலத்திலிருந்த அரசாங்கத்தார், இந்தக் கைத்தொழிலுக்கு வேண்டிய செலாகரியங்களெல்லாம் செய்துகொடுத்திருந்தனர்.

இப்பொழுது விவசாயத்தோடு இந்தக் கைத்தொழிலையும், விருத்தி செய்தால்தான், முன்போல் பஞ்சமில்லாமலும், பட்டினியில்லாமலும் வாழ முடியும். இத்தியாவில் நடைபெற்று வரும், இதர குடிசை கைத்தொழிலை விட, இந்தக் கைத்தொழில்தான், எல்லோரும், ஏழை முதல் பணக்காரர் வரை, பால்யர் முதல் வயோதிகர் வரையும், பலவீனரும், அங்கயீனரும், கோஷா ஸ்திரீகளுங்கூட, வீட்டிலிருந்தகொண்டே மிக எளிதில், எப்பொழுதும் செய்யமுடியும். இந்தத் தொழில்தான் கைமேல் பவன் அளிக்கக்கூடியதாகியிருக்கிறது. கைராட்டில் உற்பத்தி செய்யப்படும பொருள், எப்பொழுதும் எல்லோருக்கும், அத்தியாவசியமாய் வேண்டிய பொருளுமாகும். இந்தத் தொழிலை விருத்திசெய்வதற்கு விசேஷ மூலதனம் வேண்டியதில்லை, அல்லது விசேஷ சாமர்த்தியமும் வேண்டியதில்லை. கையினால் நூல் நூற்றல் தொழில்தான், விவசாய சம்பந்தப்பட்ட சிறு கைத்தொழில்களில், முதன்மையாக வைக்கவேண்டும்.

இந்தாட்டில் விளையும் பஞ்சை அயல்நாடுகளுக்கனுப்பி, அங்கிருந்து வரும் துணியைவாங்கி உடுத்துவதால் உண்டாகும் வறுமை அதனால் நீங்குகிறது. அதனால் தேச மொத்தத்திற்கு, உத்தேசம், வருஷா வருஷம், 45 கோடி ரூபாய் மிஞ்சுகிறது. ஏழைகளுக்கெல்லாம் நல்ல பிழைப்பு உண்டாகிறது. தாளடைவில் நாட்டில் பொருளாதார நிலைமை உயரும். சுய உதவி, சிக்கனம் இவைகள் தானே கைகூடுகிறது.

நான்கு கோடி ஜனத்தொகை கொண்ட இம்மாஹாணத்தில், 50 லட்சம் விவசாயிகளும், அவர்கள் வீட்டுப் பெண்களும், கைராட்டில் நூல் நூற்றால், இம்மாஹாணத்திற்கு, தேவைப்படும் துணி பூராவுக்கும், நூல் சப்ளை செய்ய முடியும். இவர்களால் உற்பத்தி செய்யப்படும பொருளுக்கு, விசேஷ மார்க்கட்டு கண்டுபிடிக்கத் தேவையில்லை.

சாதாரணமாக, கைராட்டில் நூல் நூற்பவருக்கு, தினம் 1-க்கு, 2 அல்லது 3 அணா கூலி கிடைக்கும். ஆனால் கைராட்டினத்தில் கிடைப்பதை விட வேறு வேலையில் அதிக கூலி கிடைக்கலாம். அவர்கள், அவ்வேலைகளை விட்டுவிட்டு கைராட்டில் நூல்தான் நூற்கவேண்டுமென்ற கட்டாயமில்லை. ஒரு வேலையுமில்லாமல் சோம்பேறியாக யிருந்தகொண்டு வீண்வம்புகள் செய்துகொண்டிருப்பவர்களை மட்டும் இந்தத் தொழிலை செய்யும்படியான சௌகரியங்கள் செய்துகொடுத்தால் போதும்.

விவசாயம் பொதுவாக ஒரு வருஷத்தில் ஆறு அல்லது எட்டு மாதங்களுக்கே தான் நடைபெறுகிறது. பாக்கி காலங்களில் வேலையில்லாமல் உஷ்டப்பட்டுக்கொண்டிருக்கும் காலத்தில் இத்தொழிலை விவசாயத்தின் உதவித் தொழிலாகச் செய்யலாமல்லவா? விவசாயத்தோடு வரும் லாபத்துடன் இந்த லாபமும் சேர்ந்தால் விவசாயிகளின் வறுமை நீங்குமல்லவா?

இனி நம் நாட்டிலே விவசாயிகளால் நூற்கப்படும் நூலை, நம்முடைய விவசாயிகளால் துணியும் நெய்து, நாம் உபயோகப்படுத்திக் கொண்டால்

தாட்டில் செல்லம் பெருகும். ஒரு ரூபாய்க்குத் தணி வாங்கிலும் அந்த ரூபாய் முழுவதும் விவசாயிகளுக்கேதான் போய்ச் சேருகிறது. எப்படியென்றால், ஒரு ரூபாய்த் தணிக் குச் செலவாகிற பஞ்சின் விலை, 6 அணுவாகும். இது டருத்தி விவசாயிக்குப் போகிறது. பின் நூற்றாண்டுக் கூலி 4 அணுவாகும், தெய்யுங் கூலி, 5 அணுவாகிறது, மேற்பார்வை முதலிய செலவு 1 அணுவாகும், ஆகவே ரூபாய் முழுவதும் விவசாயிகளுக்குத்தான் போகிறது என்பதில் சந்தேகமில்லை.

இம்மாஹாணத்தில், தினந்தோறும், இத்தொழில் விருத்தியாகிக் கொண்டுவருகிறது. எனினும், அரசாங்கத்தாரும், இதற்கு வேண்டும் உதவியளித்தால், இது பூர்ண அபிவிருத்தியை சில வருடங்களுக்குள்ளடைந்து விடும்.

தற்போது, இம்மாஹாணத்தில், உத்தேசமாக, 20,000 ஜனங்கள் நூல் நூறிகின்றனர். உற்பத்தி செய்யும் தணி, வருஷத்திற்கு, உத்தேசம் ரூ. 12 லட்சமாகும். உற்பத்தி செய்யப்படும் தணிகள் பூராவும் உடனுக்குடன் செலவாகிக்கொண்டுவருகிறது. இப்பொழுது இருக்கிற தேவைக்கு உற்பத்தி குறைவு என்றே சொல்லலாம்.

இந்தக் கைத்தொழிலைக் கூட்டுறவு சங்கங்களின் மூலம் பெருளுதவி செய்து நல்ல அபிவிருத்திகளுக்குக் கொண்டுவரும்படி அரசாங்கத்தாரை முன்வரக் கேட்டுக்கொள்கிறேன். அங்கங்கே நூல் நூற்றும் சங்கங்களும் கைத் தரி நெசவு சங்கங்களும், ஏற்படுத்தவேண்டும். நூறும் சங்கங்கள் சேகரிக்கும் நூலை ஒன்று சேர்த்து, ஒரு மத்திய சங்கமூலம் கைத் தரி நெசவு சங்கங்களுக்கு கனுப்பித் தணியாக மாற்ற ஏற்பாடு செய்துகொள்ள வேண்டும். நெசவு செய்யப்படும், தணிக்கு சரியான மார்க்கட்டு அறிந்து செலவு செய்ய உதவுபடியவேண்டும். இதனை ஒரு தனிப்பிரிவாக ஏற்படுத்தி அவைகளைச் சரியானபடி மேற்பார்வை செய்வதற்காக சர்க்கார் ஆதிக்கத்திலும் சம்பளத்திலும் சில இன்ஸ்பெக்டர்களை நியமிப்பது செய்யவேண்டும்.

இம்முறையை அதுசரித்து சர்க்கார் உதவியெவ்வார்களானால் இந்திய விவசாயிகள் அடையும் நன்மைக்கு ஒரு அளவே கிடையாது.

(Translation.)

I.—Agricultural credit and credit facilities for small industries.

(1) a, b, c.—The agriculturists here may be divided into two sections, namely, those that cultivate their own lands and those that cultivate the lands of others, on lease or *varam* tenure.

The agriculturists, who own a small extent of land, ordinarily obtain loans from money-lenders in their respective places at 2 per cent per mensem on the pledge of gold jewels or on promissory notes, for meeting the expenses of cultivation. While the agriculturists raise such loans, it is often the practice with them to fix the period of repayment with reference to the time at which the produce of the crops which they are going to cultivate will be ready for harvest and pay the whole interest thereon for this period in advance at the very time they get the loans. The agriculturists realise the responsibility of maintaining their credit and repay, at the specified time, the loans taken by them. On account of this, they are obliged to sell their produce at a low price. As the agriculturists have to pay a high rate of interest on the loans taken by them for the purpose of cultivation and as they are unable to find out the proper market and sell their produce, it is not possible for them even to secure wages commensurate with their labours.

Now, even if they are to effect permanent improvements to their lands, they have to adopt only the aforesaid procedure.

No agriculturist will venture to improve his land by taking loans at a high rate of interest. If he does so, he is sure to make matters worse by handing over the improved land to his creditor and becoming a pauper.

Let us now consider whether the agriculturists can be benefited by the loans granted by Government for the improvement of lands. These loans are granted at a low rate of interest. Facilities have been afforded to the

agriculturists for the repayment of the loans in instalments only from the income derived from the produce obtained from the lands thus improved. But the agriculturists are not in a position really to take advantage of those facilities. An improvement of the system is certainly needed. If an agriculturist submits an application for loan to the Tahsildar for improving his land, the loan is sanctioned at the least only after six months. The hardships suffered and the expenditure incurred by the agriculturist in the meantime are very great. The usual commission of five per cent has to be paid to the village karnam even when the application for loan is prepared. Then that application has to be recommended by the Revenue Inspector. As he is an official somewhat higher in rank than the karnam, a commission of seven per cent has been fixed for him. Even when the application reaches the taluk office after the poor agriculturist has paid all these, the clerks and the peons there request that they too may be remunerated. In the meanwhile, the application is being sent from the taluk office to the Revenue Inspector and *vice versa* several times. Out of his anxiety to obtain money, the poor agriculturist is also obliged to go to the taluk office several times and he incurs great expense on account of this. Hence, he is driven to the necessity of spending at least 20 per cent in advance in several directions. At first, he thinks that he is securing a loan of 6½ per cent. But no one can deny that, in the end when all items of expenditure are taken into account, the rate of interest works out at not less than 12 or 14 per cent. Though he subjects himself to so much hardship and loss, the loan is sometimes not paid to him at all. Even if perchance the loan is paid, the poor agriculturist has to remain as the servant of the local Revenue Inspector for ever and be helping him with the money required by him. Otherwise, it will be reported that the loan obtained by him has been misapplied and the Revenue Inspector will make arrangements for the recovery, in a lump sum, of the full amount of the loan taken. Hence, an agriculturist who tried to obtain this loan once will not at all wish to go in for such a loan again. This is actually taking place in every village. No one, therefore, comes forward to take loans under this system. Hence, no benefit whatever is really going to result to the agriculturists in the existing conditions from the Land Improvement Loans Act, 1883, and the Agriculturists Loans Act, 1884.

Again, these agriculturists cannot obtain loans from banks like the Imperial Bank and joint-stock banks for effecting permanent improvements to their lands. These banks generally grant only short-term loans on commercial lines. The agriculturists cannot be said to derive any kind of advantage from these institutions.

When the monsoon fails or when the agriculturists have to pay the land assessment, they resort only to the local money-lenders and take loans at a high rate of interest as stated above.

This apart, co-operative societies have been established in several places with a view to remove in a way all the hardships referred to above. The agriculturists secure, at a low rate of interest, the loans which they require from time to time for effecting permanent improvements to their lands and for meeting the expenses of cultivation. The loans taken by them are secured by a mortgage of property or by other suitable security. As instalments for the repayment of the loan are fixed with reference to the time when the produce of the crops raised will come to the hands of the agriculturist, facility is afforded to the person taking the loan to repay, without any difficulty, the principal and interest due to the society. Facility is also afforded to the agriculturist, who cannot sell the produce in the market for a good price at the time fixed for the payment of the instalment, to pledge the produce with the society and arrange to repay the loan due to it at the stipulated time. Hence, under this system, the agriculturists have been relieved to a certain extent of the difficulties experienced by them.

Such of the agriculturists as do not own lands obtain them on lease or *varam* tenure from those that own them on a large scale, and cultivate the same. It is generally difficult for those agriculturists that cultivate lands on lease to obtain them unless they agree to give the owners of the lands not less than three-fourths of the produce. The landholders themselves generally help this class of agriculturists with loans for meeting the expenses of cultivation. When the agriculturist takes this loan, he enters into an agreement with the landholder that he will give him the produce derived by him at three-fourths its market price. Soon after the harvest,

the landholder first obtains his share of the produce as stipulated in the lease and then takes away the portion of the produce due to him according to the agreement for the loan given by him. The same procedure is adopted even in respect of the cultivation of the land on *varam* tenure. Hence, what remains in the end for the agriculturist who toiled hard in cultivating the land is not at all much.

When even the local sowcars refuse to give loans to these people, how can the Government or other banks help them? Even the co-operative societies refuse to grant loans to this class of agriculturists. Hence, they are in a helpless condition and depend on the landholders for their livelihood.

The Government should, in the first place, devise means to remedy the grievances of only this class of people. The Adi-Dravidas who are in a majority, are in this unfortunate condition and it is only co-operative societies that will be mainly useful for the betterment of their condition. Separate societies should be established everywhere for the Adi-Dravidas. They should be certainly removed from the societies wherein the other classes are influential. The Labour Department should keep all the Adi-Dravida societies under its direct control. This department may be affording the necessary assistance to them by seeking and obtaining the advice of co-operative institutions from time to time.

It is inevitable that the Government should show greater concessions to the Adi-Dravida societies than to other co-operative societies. The Adi-Dravidas will not derive much benefit by their societies borrowing money like the other societies from the district central bank and lending the same to their members at 10 per cent per annum. The Government should evince some mercy and help the Adi-Dravida societies with money at a low rate of interest. The money deposited in Courts in every district by litigants in view to a compromise amounts to lakhs of rupees. This amount should be deposited in the co-operative central bank of the respective districts instead of in the Imperial Bank and set apart for the Adi-Dravida societies. Whenever these societies require loans, the Government should help them with loans through the Labour Department at not more than 2 or 2½ per cent per annum. The British Government can adopt this arrangement if they really wish to uplift the Adi-Dravida community and no difficulty or loss will result to them on account of this. I hope that the Government will take this particular suggestion into consideration.

Again, the administration of the Land Improvement Loans Act, 1883, and the Agriculturists Loans Act, 1884, should be transferred from the Revenue Department to the Labour Department. I believe that, if the Labour Department administers these Acts, the people can derive benefit from them. But the subordinate officials like the Inspectors, who are appointed in the Labour Department should be like those in the Co-operative Department possessing a broad outlook and not caring for self-interest to recompense. It will be highly desirable for the Labour Department to appoint experienced persons from the Co-operative Department for this purpose.

4. As detailed in the reply to the first question, there is no institution which can help the landholders with the necessary finance for effecting permanent improvements to their lands. It is not possible even for co-operative societies to grant long-term loans to the agriculturists to suit their convenience. It has been decided by experts that the establishment of land mortgage banks is highly essential for satisfying this demand. Several persons are trying to establish such banks in the Madras Presidency. The working capital of the land mortgage bank, which is proposed to be established hereafter, should consist solely of deposits, debenture bonds, funds from central institutions, which carry on banking business and share-money.

Share-money.—A scheme should be drawn up in respect of the taking of shares by every member of a land mortgage bank. It should be laid down that, if the value of a share is Rs. 50, the loan granted for each share should be Rs. 1,000. Long-term loans should be granted to a member to the extent of one-fifth of the value of his property for a period of 20 to 30 years. Further, the aggregate loan granted to a member should not, at any time, exceed Rs. 5,000.

If, as stated above, at least 5,000 shares at Rs. 50 per share are subscribed in a district and if a share-capital of two and a half lakhs of rupees is thus secured, a land mortgage bank can be established in that district. By-laws should be framed for the payment of the aforesaid share-capital in easy instalments.

Debenture bonds.—Now, next to the share-money, debenture bonds constitute the capital of the land mortgage bank. It is these bonds that are of vital importance to the land mortgage bank. Whenever the bank is in need of money, debenture bonds of the value of Rs. 1,000, Rs. 500, Rs. 250, Rs. 100 and Rs. 50 will be issued on the condition that the money will be repaid between 12 to 20 years. The bank should pay interest at 7 per cent per annum for the loan obtained from this source. If those that purchase these debenture bonds require money before the time mentioned therein, they may sell them to others; or, the Government themselves should purchase them for the proper price. The Government should always purchase debenture bonds at a price yielding interest at 6 or 6½ per cent per annum to the extent of twice the aggregate of the share-money collected in the bank and its reserve fund. The assistance of the Government in this matter is very essential. They should act in a very generous manner in this respect. The Government should evince much interest in seeing that the price of the debenture bonds or the rate of interest payable thereon does not go below the market value, and thereby afford protection. For, the land mortgage bank will miserably fail the very moment these bonds depreciate in value. The public may lose confidence in debenture bonds and may not come forward to lend money to the bank on the security of these bonds. Hence, it is the onerous duty of the Government to afford suitable protection so as not to allow the face value and the rate of interest of these bonds to go very much below the market value. The Government should not be indifferent to this matter, thinking that it would be enough if protection is afforded in respect of either the face-value or the rate of interest of the debenture bonds. I would emphatically submit that protection must necessarily be afforded to both of them. If this is not done, the land mortgage bank that is to be established will be like a body devoid of life.

Deposit.—The capital of land mortgage banks should be raised even by means of deposits. Just as the share-money serves as the foundation and the debenture bonds serve as the strong granite walls of the edifice of land mortgage bank, the deposits and other sources serve as the roof put upon the walls. People will begin to have confidence and will venture to make long-term deposits only if the Government afford strong protection to the land mortgage bank. Hence, the deposits made by the people will depend only on the amount for which the Government buy the debenture bonds issued by land mortgage banks. The Government themselves should inspire strong confidence in the outsiders who can make deposits in these banks. The rate of interest on the money deposited by the people should be fixed only with reference to the period for which the money is deposited. Interest up to 5 per cent per annum may be allowed on the money deposited for more than ten years.

We should now consider for what purposes and at what rate of interest a land mortgage bank established as stated above should grant loans, under whose control it should be and how the title, extent, value, etc., of the lands mortgaged should be examined.

The main objects of a land mortgage bank should be to raise as much capital as is needed for granting loans for 20 or 30 years on the mortgage of lands, to improve the economic condition of its members, to redeem lands from previous mortgages and repay earlier debts, to make lands more fertile, to afford facilities for the adoption of modern methods of cultivation, to promote economy, self-help and co-operation among its members generally and to do such other things. The interest on the loans granted for such purposes should not exceed 7½ or 8 per cent per annum. Loans should be granted only after ascertaining by examination that there are no previous encumbrances on the properties to be mortgaged. Encumbrance certificates should be granted free of charge by the Sub-Registrar's office. It should be noted well whether the loans granted have been utilized only for the purposes for which they have been granted. It is necessary to be very careful in regard to this matter; for, members obtain loans from the existing co-operative

societies for a certain purpose and spend the same for a different purpose. This is one of the main reasons for large overdues outstanding against the members.

Further, the village karnam and the village munsif within whose jurisdiction the land to be mortgaged is situated should assist in the examination of its title, extent, value, etc. The Revenue Inspector also should assist in this matter from time to time when required. Moreover, four or five superintendents paid by the Government and working under their control should be appointed for every land mortgage bank for carrying out these things with a sense of responsibility.

The present Registrar of Co-operative Societies should himself be the protector of the interests of land mortgage banks.

A provincial land mortgage bank should be established in Madras with jurisdiction over the whole of the Presidency. All the district land mortgage banks should be affiliated to the central land mortgage bank. It is my humble opinion that the hardships suffered by the agriculturists will disappear completely only if this land mortgage bank scheme is carried out.

6. It is very important to describe here a 'cottage industry' relating to agriculture, which once became defunct but has now revived and is developing.

The absence of help from the Government is indeed responsible for the ruin of the hand-spinning industry, which is foremost among the Indian industries and which was once in a very flourishing condition. The Government of those days had afforded all the facilities which were required for this industry.

It is only if this industry also is developed along with agriculture, that it will be possible for the people to live without experiencing any famine and starvation as before. Of all the cottage industries carried on in India, it is only this industry that all persons, rich and poor, young and old, weak and deformed, including the *gosha* women, can very easily carry on at all times remaining at home. It is only this industry that can yield a return immediately. Again, the product of the spinning wheel is one very much required by all people and at all times. Neither a large capital nor great skill is needed for the development of this industry. It is only the hand-spinning industry that should be given the first place among the minor industries relating to agriculture.

The poverty, which results from our exporting the cotton grown in this country to other countries and buying and wearing the cloth imported from there, is removed. As a result of this, a sum of about 45 crores of rupees is saved every year for the whole country and all the poor people are provided with a good means of livelihood. The economic condition of the country will improve in course of time and self-help and economy will develop of their own accord.

If, in this Presidency which has a population of four crores, 50 lakhs of agriculturists and their women spin yarn with the spinning-wheel, it will be possible to supply yarn for the whole quantity of cloth required by this province. There is no need to find a special market for the sale of the article produced by them.

Persons spinning yarn with the spinning-wheel can ordinarily earn two or three annas per day. But they may earn more in any other avocation than through the spinning-wheel. There is no compulsion that they should give up those avocations and engage themselves only in the hand-spinning industry. It is enough if facilities are afforded only to the idlers, who waste their time in idle talk without any work, for enabling them to engage themselves in this industry.

Generally, the work of cultivation lasts only for six or eight months in a year. Cannot this industry be carried on as a subsidiary industry to agriculture during the remaining period when the agriculturists are suffering without any work? Will not their poverty disappear if they earn profits from this industry in addition to the profits derived by them from agriculture?

If agriculturists weave also cloth from the yarn spun by them in our country and if we make use of the same, the wealth of the country will increase. If we buy cloth for one rupee, the whole of that rupee goes only to agriculturists as described below. The cost of cotton required for the manufacture of a piece of cloth worth one rupee is six annas. This goes to the person who cultivates cotton. Then the spinning, weaving and supervision and other charges are four annas, five annas and one anna respectively. Hence, there is no doubt that the whole of that rupee goes only to agriculturists.

This industry is developing every day in this Presidency. However, if the Government also afford the necessary assistance to it, it will attain full development in a few years.

About 20,000 people are at present spinning yarn in this Presidency. The value of cloth manufactured every year is about 12 lakhs of rupees. The whole quantity of cloth manufactured is being sold as soon as it is manufactured. It may be stated that the supply is indeed less than the demand at present.

I request the Government to come forward to render financial assistance to this industry through co-operative societies and develop it properly. Spinning societies and hand-loom weaving societies should be established everywhere. Arrangements should be made for the yarn collected by spinning societies being sent to hand-loom weaving societies through a central society for being converted into cloth. Assistance should be rendered for the cloth thus manufactured being sold in the proper market. These societies should be constituted into a separate branch and a few Inspectors, paid by the Government and working under their control, should be appointed to supervise them properly.

If the Government render assistance on these lines, there will be no limit to the benefit derived by Indian agriculturists.

Written evidence of M.R. By. BHALLAMUDI VENKATRAMA-MURTHI Garu, Secretary, Gopalapuram Local Co-operative Union, Gopalapuram.

I.—ప్రవసాయ పరపతియును చిన్న పరిశ్రమలైన పరపతి అనుకూలములును.

1. (a) సహకార సంఘములనుండి గ్రామ సామకార్లవర్గమునుండి హక్కు వడ్డీలకు విషమ షరతులతో ప్రోత్సాహము సాధారణముగా.

(b) సహకార సంఘములనుండి కొద్దిగాను, చాలా భాగము గ్రామ సామకార్లవర్గమునుండి విషమ షరతులతో స్థిరాస్తుల తనఖావైసి.

(c) సహకార సంఘములనుండియు చాలా భాగము బంగారపు సరకులు, ప్రోత్సాహ స్థిరాస్తి తనఖావైసి సామకార్లయొద్దనుండి విషమ షరతులపై వాడుచున్నారు.

వడ్డీ 18 నుండి 25% వలకు సామకార్లకు యిస్తూ, ముందు పండవలసినపంట, సామకారునకే అప్పగింపు వ్రాసియు, విషమ షరతులు యేమియు లేకుండా సహకార సంఘములనుండి వాడుచున్నారు. గ్రామములలో కావలసినప్పుడు, డబ్బు సామకారు యిచ్చున్నారు గనుక యింకను ప్రజలలో అనేకమంది గ్రామ సామకారులపై ఆధార పడియున్నారు. సహకార సంఘములవల్ల కొద్ది ప్రజలే సహాయము పొందుచున్నారు. కారణ మేమనగా, గ్రామములలోయుండు గ్రామ దళారులు (బోకర్లు) సహకార సంఘములు వ్యాపించకుండా అటంకము చేయుచున్నారు.

ఈ దిగువ ప్రతి క్రియలవలన సహకారము, విరివిగా దేశమంతయు, పెట్టుబడి ధనమున కేమియు నష్టములేకుండ వ్యాపింపజేయవచ్చును :

సర్కారువారు రక్షక భటులను యెందుకు యంచుచున్నారు? దుర్మార్గులను ప్రజలలో మంచివారికి యేమియు వాదలు కలుగకుండా ఉండుటకునూ, ఒకానొక సమయ మందు, దుర్మార్గులు ప్రజలకు వాదపెట్టుచున్నయెడల వానిని దండించుటకు యున్నారు. ఈ విధానములు ప్రజలకు తెలిసేయండుటకేతన పరిపాలన వాగుగాయన్నది. గ్రామ సంఘములు, హామిలిలేని పూచీవైసి పనిచేయుచున్నవి గనుక యేమి ధయము అని, చాలామంది అభిప్రాయము. అది అంతయు తప్పు. గ్రామములలో ఒకరు లేక యిద్దరు దుర్మార్గులు చేరియున్నారు. వారికి సంఘములు, సర్కారు అధీనములొప్పునవి, అని తెలుసుకొని కొంచెము జాగ్రత్తగా మెలగుచున్నారు. కాని, యిప్పుడు అక్కు, బైలా, వదులకున్నవారి సంఖ్య హెచ్చుచున్నది. ఇకముందు ముప్పుయున్నది. సంఘములొప్పున యిద్దరు ముగ్గురు మెంబర్లు వారి అంతులు. అన్నికొంతము చేసినయెడల వారివద్దనుండి రావలసిన డబ్బు, వారి జామీనుదార్లయొద్దను, అట్లు కూడనూ వసూలుగానియెడల సంఘముయొక్క రిజర్వు ఫండ్ మీదను, అట్లుకూడను నష్టము భరికానియెడల సంఘములొప్పున యావత్తుంది మెంబర్లు పెట్టుకొనవలసియున్నది. దీని వలన, మనము నేర్చుకొన్నదేమనగా సహకార సంఘములలో దుర్మార్గుడు శిక్షనుండి తప్పిపోవుచున్నాడు. మంచివాడు శిక్షకు పాత్రపడగచున్నాడు. కొంతమంది యీ

ప్రశ్న వేయవచ్చును. మంచివార్తను చెప్పుకొన్నయెడల యీ కష్టములు రాకుండా యుండు నేయని కొంతమంది బుద్ధిమంతులవలన వచ్చును. మనలో మన అన్నదమ్ములు, కన్న కొమారులు, యెవ్వడు మనయందు, దుర్మార్గ భావమును చూపుదురో మనకు తెలియదు. అట్టి సమయములో ఒక సంఘములో సభ్యుడు యెవ్వడు, యే సమయములో సంఘము నకు మోసము చేయబూనియన్నాడో ఎట్లు తెలియును? తప్పుజేసినవానిని విడిచి మంచి వానిని శిక్షించుట ప్రపంచకములో యెవ్వరునూ లేడు. గనుక, గ్రామ సంఘములో యీ మార్పుచేసిన చాగయిండును. గ్రామ సంఘములో మెంబరుగా చేరినవారు యెవరున్నూ, గ్రామ సంఘమునకు తెలియకుండా వారి ఆస్తి అన్యాయము చేయరాదు. అట్లు అమ్మినపుడు, సొసయిటినుండి అప్పుకోవచ్చును అనే సర్టిఫికేట్ తీసుకొనివెళ్లి అమ్మవచ్చును. ఇదియంగాక కొనుక్కున్నవాడు రిజిస్ట్రేషను దివాన్లు మెంటువారికి యీ విధముగా యొక సర్టిఫికేట్ వ్రాసియియ్యవలెను. “నేను యీ స్థిరాస్తి కొన్నందు వల్లను యే సంఘమునకుగాని నష్టము వచ్చినప్పుడు నేను ఆ నష్టమును పూర్తిచేయు వాడను.” అని యీ కట్టుదిట్టములు అయినతరువాత ప్రతి గ్రామసంఘమునకు క్యాష్ ట్రెజీరులు శాంక్షనువల్లను, స్వల్పవాయిదా రుణములు వాడు కొంటూ వ్యవహరింప వచ్చును. రయితులకు ఆదాయము పెచ్చు అగునట్లున్నూ, ఖర్చులు తగ్గునట్లు యేర్పాటు చేయవలెను.

2. వర్తకులద్వారా జరుగుచున్నది. వర్తకులు లాభనష్టములు భరిస్తూ, దినుసు కొని, కొట్టలో యుంచెదరు. ఎగుమతికొరకు గోడొన్న యున్నయెడల రయితుల దినుసులలోను ఎందు నేలు సొసయిటిద్వారా అమ్మకము చేయవచ్చును. బిల్లులు పంపిగూర్చి నాను తెలియదు.

4. మా జిల్లాలో భూమి తనఖా వగైరా వ్యాంకులు లేవు.

5. జాగ్రత్తగా బ్రతుకుతూన్న రయితులు సాహుకార్ల తొలూకు రుణములు చాలా కష్టములమీద తీర్చుచున్నారు. చాలాభాగము సాహుకార్లకు భూములు చెందు చున్నవి. 1 (c) లో చెప్పిన ప్రకారం సహకార సంఘముల ఆర్థ మార్పుజెందిన తరువాత పరిస్థితులను జూచుకొని రయితులకు సహాయము చేయవచ్చును. మెంబరు, సంఘమునకు తెలియకుండా వాని స్థిరాస్తి అమ్మకొనరాదు. అనునట్లు చట్టము ప్యాసు అయిన తరువాత రయితులకు కావలసినంత సహాయము చేయవచ్చును.

(Translation.)

I.—Agricultural credit and credit facilities for small industries

1. The agriculturists obtain finance—

(a) From the co-operative societies and generally from the village bankers at a high rate of interest on pro-notes with exacting conditions,

(b) To some extent from the co-operative societies and to a large extent from the village bankers on the mortgage of immovable property on exacting terms, and

(c) From the co-operative societies and to a large extent from village bankers by mortgaging articles of gold, executing pro-notes and mortgaging immovable property on unfavourable terms,

by paying interest at 18 to 25 per cent to the money-lenders and agreeing to sell the future crop to the money-lenders themselves and by taking (loans) from the co-operative societies without any exacting terms. As the village money-lender lends money whenever required, many persons still depend upon the village lender. Only very few people derive benefit from the co-operative societies. The reason for this is that the village brokers are preventing co-operative societies from spreading.

Co-operation may be made to spread extensively all over the country without any loss to the capital outlay by adopting the following remedial measures.

Why have the Government appointed the police constables? They are appointed to see that the wicked do not cause any trouble to the good and to punish the former in case they do any harm to the latter. The administration is good because the people are aware of this system. It is the opinion of many that there is no fear as the village societies are working on the basis of unlimited liability. That is all wrong. At present the number of wicked persons who are members of co-operative societies in the village is very few. They are acting somewhat cautiously knowing that the societies are under the control of the Government. But now, the number of persons who have studied the Act and the by-laws is increasing. There is danger in the future. If two or three members in a society alienate their properties, the money due from them has to be recovered from their sureties, and if it is not recovered by that means it has to be done so from the reserve fund of the society and if the loss is not recouped even then all the members in the society should have to bear it. What we learn from this is that the wicked person in a co-operative society escapes punishment and the honest man is liable to be punished. Some wisemen may say that this difficulty will not arise if good persons are admitted into the society. We do not know when our own kith and kin will act treacherously towards us. That being the case, how can we know when a member of the society intends deceiving the society? As the practice of leaving free the evil-doer and punishing the honest person does not obtain anywhere in the world, it will be well if this reform is effected in the rural co-operative societies. No one who is a member of a rural co-operative society should alienate his property without the knowledge of the rural society. When he so disposes of it, he may take a certificate from the society to the effect that he may so sell it and then dispose of it. Further, the purchaser should give in writing a certificate to the following effect:—"If any society incurs loss as a result of my purchasing this immovable property I shall make good that loss". After these safeguards are provided for, every rural society, as a result of the cash credit sanctioned to it, may carry on its business making use of short-term loans. Arrangements should be made to increase the income and reduce the expenditure of the ryot.

2. It is being carried on through merchants. The merchants purchase and store things taking all risks. If godowns are available for export, sales may be conducted by the ryot's goods loans and sale societies. I do not know anything about bills and hundis.

4. There are no land mortgage, etc., banks in our district.

5. Ryots who lead a careful life, discharge their debts due to the money-lenders with the greatest difficulty. In the majority of cases, the lands go to the money-lenders. As stated in 1 (c) the ryots may be offered assistance on seeing the conditions prevailing after the Co-operative Societies' Act is amended. The ryot may be given any amount of help when it is enacted that a member should not sell away his immovable property without the knowledge of the society.

I do not know.

Do.

**Written evidence of M.R. Ry. G. NAGI REDDY, Secretary,
Co-operative Union, and Ryots' Association, Koilkuntla,
Kurnool district.**

I.—వ్యవసాయ పరపతియందు చిన్న తరిశ్రమలైన పరపతి అనుకూలములు.

1. (a) కర్షకులు జిల్లా కోయిలకుంట్ల తాలూకా కోయిలకుంట్ల గ్రామమునందు ఒక ఎకరా మొట్టభూమిని సాగుచేసి పంటలు పండించుటకుగాను.

			రూ.	అ.	పై.
నేడ్యము ఖర్చు	...	...	10	0	0
ఎరువు	...	...	20	0	0
విత్తనములు, వేరుశనగ	...	...	3	8	0
కటామణి చేయుట	...	...	8	0	0

మొత్తము ... 41 8 0

(b) భాతలు త్రవ్వటకు గుండుభూమిగాని చదరము భూమిగాని పని పూర్తిచేయుటకు రూ 1,000 లు కావలయును. నీళ్లు ఆరుమట్లు లోతును పూట యేర్పడును.

(c) భూమి కిన్ను చెల్లించుటకు రయితులు నిండా కష్టములపాలగుచున్నారు.

రయితులు పై మూడువిధములైన వాటి ఖర్చులు భరించుటకుగాను సాధిక వర్తకులవద్ద నెల 1 కి 100 కి రూ 1 ప్రకారము వడ్డీలోను పంటలు పండినతర్వాత తక్కువరేటుతో వైకముయిచ్చిన సాహుకారుకు విక్రయించు ఋరత్తులోను పైకము అప్పగింపుచున్నారు.

ఈ జిల్లాకు వ్యవసాయము ఖర్చులకుగాను ప్రతి ఒక రైతుకు 500 రూపాయలు వాకి కావలసియుండును.

2. ఈ జిల్లాలో రయితులు పండించిన పంటలు చిల్లర వర్తకులకు విక్రయించుచున్నారు. చిల్లర వర్తకులు నిండా లాభముతో పట్టణములయందు నెలకొల్పబడిన కంపెనీలవారివద్దకు విక్రయించుచున్నారు.

ఇందువల్ల రయితులు చాలా నష్టపడుచున్నారు.

గవర్నరు మొంటువారు సమస్తిగా విక్రయించు పద్దలు నెలకొల్పినయడల రయితులు బాగుపడుదురు.

3. ఈ జిల్లాలో నల్ల రేగడ భూములు అసగా పత్తిపండు భూమి ఎకరా 500 రూపాయలు రహారమిగా యుండును.

వేరుశనగ వండు ఎర్ర మిశ్రమము ఘాములు ఎకరా 400 రూపాయలు రమారమిగా యుండును.

(a) పన్ను చెల్లించక వేలము పాడిన ఘాములు 1 ఎకరాకు 100 రూపాయలు తక్కువ భరతో విక్రయించబడును.

(b) కోర్టువారు విక్రయించు ఘాములు ఎకరా 50 రూపాయలు తక్కువ రేటుతో విక్రయించుదురు.

(c) మళ్ళవద్దులు విక్రయించిన ఘామికి లేదా యుండదు.

4. ఘాములను తన ఖాయంచుటకు యీ జిల్లాలో యేలాటి ఆక్షేపణ లేదు.

ఘామి తన ఖా బ్యాంకులు లేవు.

కో ఆపరేటివు బాంకు యున్నది.

దీర్ఘ కాలము ఋణము నిచ్చు బ్యాంకులు లేవు.

iii. వడ్డీకి యిచ్చు అలవాటు.

1. జన సామాన్యము నిలువ వైకమును వడ్డీకి వేసుకొనుటకు పూర్వమైన సదుపాయములు లేవు.

(Translation.)

1.—Agricultural credit and credit facilities for small industries.

1. (a) To cultivate 1 acre of dry land in the Koilkuntla village, Koilkuntla taluk, Kurnool district :

						RS.	A.	P.
Cultivation expenses	...	...	...	...	...	10	0	0
Manure	...	...	...	...	...	20	0	0
Seeds (groundnut)	...	...	...	...	...	3	8	0
Harvesting	...	...	...	...	...	8	0	0
						41	8	0

(b) Rs. 1,000 is necessary to sink a round or a square well and to complete the construction work thereof. There will be spring at a depth of nearly six feet.

(c) The people are very hard put in the matter of paying the land assessment.

To meet the abovesaid three items of expenditure the ryots borrow money from local merchants on interest at 1 per cent per mensem and on the condition of selling the produce after harvest at a low rate to the money-lender who advances money. In this district each ryot requires a loan of Rs. 500 for purposes of cultivation expenses.

2. In this district the crops raised by the ryots are sold to retail merchants. The retail merchants sell the same to the companies established in big towns at a large profit. The ryots are thereby put to great loss. The condition of the ryots will improve if the Government institute the pooling method of selling produce on a co-operative basis.

3. The price of an acre of black cotton soil land in this district will be approximately Rs. 500. The price of red mixed soil land producing groundnut will approximately be Rs. 400 per acre.

(a) The lands which are sold in auction for non-payment of assessment will be sold at its value less Rs. 100 per acre.

(b) The lands sold by the court will be sold at its value less Rs. 50 per acre.

(c) There will be no difference in price in respect of lands sold by intermediaries.

4. There is no objection whatever in this district to the mortgage of lands.

There are no land mortgage banks.

There is a co-operative bank.

There are no banks which give long-term loans.

-III.—Investment habit and attraction of capital.

1. There are no full facilities for the people at large to invest their savings for interest.

Written evidence of M.R.Ry. G. VISWANATHAM CHETTI
Avargal, Probationary Deputy Registrar of Co-operative
Societies, Beawada.

1.—Agricultural credit and credit facilities for small industries.

1. From what I have observed, the local ryot seldom distinguishes his borrowings for various kinds of expenditure. He has not reached that stage of advancement where like his contemporaries in the West, he can maintain a regular system of agricultural accounts. To a large extent this is due to his requirements which are but limited in scope. What he wants is money and seldom does he ever utilize it for the purpose for which it is borrowed. Further the ryot seldom discloses the purpose unless he is obliged to do so, e.g., to a co-operative society when he applies for a loan, while neither the village money-lender nor the town-banker ever bothers to ascertain the purpose so long as they are convinced of the borrower's solvency, and even this is ignored very often.

The rates charged range from 1-0-6 to 2-8-6 (the six pies being tagged on for purposes of charity and the expenses of the borrower) depending on the nature of the demand and the solvency of the borrower and the soundness of the security offered.

To a considerable extent the ryot's needs are satisfied in his own village either by a fellow prosperous ryot money-lender or a Marwari who has migrated to the village to spare the needy man the trouble of going all the distance to a town. I have it on excellent authority that there is more credit available than can find profitable investment in the villages.

From what I have gathered I am of opinion that the ignorance of the common ryot regarding the existence and operation of the Takavi Loans Act, the Agriculturists Loans Act and the Land Improvement Loans Act is deplorable. The local Tahsildar who is responsible for popularizing Government agricultural finance as well as its collection is rather reluctant to take the responsibility of recovering the loans, with the result that the needy farmer is forced into the tangles of the village octopus. Unless the existing ignorance is dispelled, disabilities are removed, and loans are liberally granted, no real benefit can accrue to the agricultural industry, while the Acts will remain on the statute book without justifying their existence.

The Imperial Bank with all its resources at its disposal does not seem to finance the ryot either for cultivation expenses or for capital expenditure. But produce loans have become quite a common feature of the bank's operations, and one generally sees a bank agent going out on godown inspection to even some of the inaccessible villages where produce has been stored in private storehouses under the lock and seal of the bank. The Imperial Bank would not be justifying its existence, backed with the full support of the Government, if it does not change its present policy. It ought to break through the present conservative and overcautious policy and render real service to agriculture and industry by liberally financing them. It may be argued that the Imperial Bank is neither an agricultural nor an industrial bank and cannot be expected to carry on its operations as such. I do not mean to suggest that the bank should be turned into an industrial or exchange bank. It is impossible, because exchange banking requires a wide ramification of branches all over the world as well as very large resources and great technical knowledge.

Public funds are deposited in the bank in order that they should be lent and they would be lent most advantageously in the growing centres of trade and commerce. Also it must not be forgotten that the Imperial Bank was obliged to open as many as 100 branches in a fairly short time in the national interests. It can, therefore, be premised that the original intention of the bank's charter was that it should be of real benefit to the country and not confine its activities to trade and commerce and thus enter into the alleged uneconomic and unfair competition with other joint-stock banks which have done such splendid pioneering work.

Joint-stock banks, situated as they are in Presidency capitals with few district branches here and there, I observe, are not in a position to finance agriculture, nor are they by their very circumstances in a position to extend their activities to the sphere of agriculture.

A class of merchants known as Dalali merchants or commission agents play a very great part in providing the ryot with all the money he needs, and helping him after the harvest to sell his crop and even advance him sums pending disposal of such produce. The commission agent has therefore come to stay and threatens to become a very popular institution. How far it is profitable to the ryot to patronize this new entrant in the field of agricultural finance is a matter for speculation. But it must be admitted that the ryot is penalised both ways. The secret of successful industry is to buy your finance cheap and to sell your produce dear. But the local ryot buys his finance dear and sells his produce cheap. His creditor generally fixes the price of both.

Messrs. Shaw Wallace & Co. have a credit department attached to their fertilizers' sales department and advances to the extent of 50 to 60 per cent are made on mortgage of land. This is popular among the more well-to-do ryots who believe in intensive farming but beyond the comprehension of an ordinary ryot who cannot afford anything beyond the ordinary cattle manure that he is traditionally familiar with.

The only way out of this turmoil is co-operation. Co-operative banks through primary agricultural credit societies are doing a tremendous lot to help the ryot in solving the problem of his agricultural salvation. But it must be said that he still needs financial assistance which a primary credit society cannot render. If the primary societies are to supply capital to the ryot and the small landholder on a much more liberal scale than at present for permanent agricultural improvements, e.g., for consolidation of small and scattered holdings, buying improved ploughs, etc., they must be supplied with fresh funds which are not withdrawable on demand. Similarly the larger landowners require loans which are beyond the ability of rural banks as at present instituted, although they may be productive of much economic good. This involves lock-up advances. The resources of the co-operative credit societies must be augmented with long-term deposits in order that they may lend money to the ryot much more freely than at present for paying his debt to the Sowcar.

The problem is therefore the same as for industrial capital, and the same solution is possible. A convenient form of instrument readily realizable must be developed and an agency through which it may be issued must be organized. It is a common knowledge that in the ryotwari parts of India, land is the most popular form of investment next to Government securities. There is no reason why this capital should not be forthcoming for investment in bonds supplied by a mortgage of landed properties. Thus the accumulation of funds by means of land mortgage bonds is quite feasible. Indian capital has to a considerable extent got over its traditional shyness. We are in a better position now. There should therefore be no great difficulty in finding money for investment in these bonds, nor in turning them into cash, specially if stock exchanges are set up at important centres of India.

It is estimated that the funds of foreign life offices alone available for investment every year are Rs. 3 crores. At the present time Indian life offices invest the bulk of their funds in Government securities. A part of this may at any rate be diverted to debentures without any difficulty. There are also the funds of Fire and Marine Insurance Companies.

To popularise investment in land, bonds, debentures and similar securities, stock exchanges should be opened in as many centres as possible. Public Debt Offices should also be opened in those places because Government securities form an important portion of the securities dealt in the existing stock exchanges. Arrangements for transactions in smaller lots should be made, for these are, generally speaking, genuine investments. I would certainly condemn, "Share hawking" and if no stock exchanges are opened in the mufassal and no information is available to prospective investors, losses consequent on frauds and misstatements must continue.

2. Let me describe the present methods of marketing paddy, the principal crop in these districts. In very few cases, the ryot takes his produce to sell in an open market. Very often his Sowcar or Dalali agent from a town sells for him. Mention must be made of a new-comer on the scene,

the rice-millowner even the smallest village. He generally undertakes to store the grain and enable the ryot to sell it whenever the market is favourable.

I am not quite hopeful of the possibilities of forming pools and co-operative effort generally in marketing produce. Not unless the inhabitants of a village are all members of a co-operative sales society, is it possible to organize a good system of marketing the produce of members. But it is doubtful how far the members would like to patronize their society. It appears to me that the ryots like to make their own arrangements as regards the sale of their produce and any attempt towards the formation of pools may not meet with encouraging results. They are highly individualistic where borrowing and selling are concerned. Proper education alone can change the present condition of agrarian conservatism. Unless the mind of the ryot is trained to see the benefits of co-operative sale, it would be hardly worth while attempting the formation of pools.

The Imperial Bank lends on produce stored in godowns under its seal at 2 per cent above the bank rate subject to a maximum of 8 per cent. The produce is sold in due course and loan repaid. The part played by merchants and Dalali agents has been described already.

5. I fail to see how an estimate even as accurate as possible of the existing indebtedness of the agrarian classes would materially help to devise measures for the increase of credit facilities to the agriculturists and even if it did how far it would solve the problem so long as the ryot remains unchanged.

In so far as the causes of indebtedness lie in the inherited tendencies of the people, such as, want of forethought and readiness to promise anything in the future in order to secure present gratification, no remedies are possible except through the spread of education, the gradual growth of provident habits and a steady realization of moral responsibility.

Thus, any measure, say, the liquidation of prior debts, would absolutely defeat its object if the people continue contracting fresh debts as the old ones are slowly paid off. This will be a perpetual motion unless the consciousness of the ryots is awakened by something tantamount to a miracle.

What is more, the land revenue policy of the Government supported by the two conflicting theories of regarding land revenue as, (i) an appropriation of the unearned increment and (ii) as a tax and that Government from time immemorial has claimed a portion of the soil.

I may observe here that none of the assumptions underlying the Ricardian theory of rent are present in India. There can be no free competition where the choice is between cultivating the land and starving; the land revenue enters as an element in the cost of production; it is not a differential profit or surplus.

In short, there is a radical need for the revision of the land revenue policy, and unless this is done, agricultural improvement is impossible. All expectations of wiping off agricultural indebtedness, I think, are futile in the absence of this reform. The State demand should be moderate and must be levied on holdings that are economic. Whatever loss of revenue such measures may involve directly to the Government will be more than made up by a material advance in the standard of living of the people. No remedy can be adequate which does not take all the things into account.

V (c) (Last but one subdivision.) I am of opinion that a large number of the farmers faced with the problem of sustaining themselves on the fruits of uneconomic holdings which drive them deeper into debt prefer to sell them outright and turn tenants. This tendency is an outcome of the money-lender's ingenious ways of dealing with his clients. So long as interest is paid he does not worry about capital and even systematically discourages such payments until the burden of debt amounts to a figure when it is profitable to force the ryot to sell the mortgaged property outright. This process has been going on with increased momentum depriving efficient cultivators of their lands which become the possession of those who have no intention to cultivate themselves.

If this state of affairs is allowed to perpetuate itself, the doom for Indian agriculture is near at hand. The new owner of land cannot be expected to do anything to improve his possessions by instituting scientific methods of cultivation, intelligent rotation of crops, utilization of chemical manures, etc., and raise the productivity of his land. He is more than satisfied to lease it out to tenants and extract as much as possible from them. Under a state of affairs like this, there is no incentive to the cultivator to produce more since he has no stake in the land he cultivates. The law of diminishing returns will soon come into operation since the tenant, without the slightest thought of supplying the exhausted properties in the land, extracts to the last grain. Self-interest is best served by trying to get as much as possible without taking into account the havoc that results by pursuing a short-sighted policy. But this is the result of the landlord's unreasonable demands in the form of rent from his tenants who seldom produce more than what they have to pay. The ryot must produce enough to pay his rent and meet his domestic demands without the slightest consideration of the effects of his cultivation on his parcel of land.

7. So far as I know, the only bond of relationship between co-operative banks and the Imperial Bank of India consists in the very liberal overdraft which the latter gives to the former. This is undoubtedly of immense financial help to co-operative banks at times when sufficient deposits are not forthcoming to satisfy the demands of co-operative credit societies. But I now understand that the Imperial Bank has notified to the central co-operative banks that the overdrafts now being granted to them on the security of co-operative promissory notes would be withdrawn.

This unexpected move, I may observe, on the part of the Imperial Bank considerably reduces the facilities now open to the co-operative central banks in the way of financing primary societies. It is obvious that, to that extent, the co-operative movement would be seriously inconvenienced.

The step taken is rather serious and will seriously affect the work of credit societies. Local bodies and other public institutions in this province have now invested over two crores of their monies in these banks, and it is extraordinary that while this is the case the Imperial Bank should be so suspicious. The Imperial Bank has a serious responsibility in this matter as its notification threatens to upset co-operative finance in this presidency and shock the trust reposed by people in the co-operative movement.

There are no joint-stock banks in my circle. So far as indigenous banks are concerned (I would call them only indigenous lending-shops because they don't undertake to accept deposits which is by far the most important function of a banker), the co-operative banks do not have very much to do with them directly, though each helps its clientele with funds when the other presses hard for the repayment of its loans. Let me explain my statement.

Quite a large majority of the members of co-operative societies are also debtors to some one or other village money-lender. Thus when the time arrives to pay the co-operative societies, he borrows from his old friend, the Sowcar, and when the latter presses hard for his loan, the co-operator runs to his society for a loan to clear his debt with no doubt under the pretext of utilizing it for a genuine productive purpose. This is an everyday occurrence and co-operators cannot afford to wink at it.

I sincerely believe that genuine co-operative societies should be granted exemption from income-tax which would add considerably to the growth of the movement. Further they have a right to claim since the surplus of assets over liabilities is generally a small amount, fifty per cent of which goes to an indivisible reserve, 7½ per cent to a common good fund and the balance which is anything but commercial profit cannot bear the additional burden of income-tax. What is more, a vast majority of the members cannot boast of income assessable for income-tax and to tax the benefits accruing from co-operation does not at all appear to be equitable.

The inclusion of debentures issued by provincial co-operative banks in the list of trustee securities would greatly encourage the shy-investor, inspire confidence into him and provide the co-operative movement with sufficient funds to meet its growing requirements and pave the way to the amelioration of the agricultural discontent and backwardness of India.

II.—Indigenous banking.

1. The functions of the indigenous banker may be classified under the following heads:—

- (1) Lending on promissory notes,
- (2) lending on mortgage of land,
- (3) lending on security of jewellery,
- (4) lending on produce,
- (5) discounting of hundies, and
- (6) allowing cash credit on the security of produce.

2. More than any other institution, the indigenous banker plays a part of considerable importance in financing agriculture and trade. Industry, I may observe, does not appeal to him so much as agriculture. It is no exaggeration to say that he specialises in catering to the several needs of agriculture and agriculturists, and it is almost a truism to say one cannot subsist without the other.

He is a great opportunist, knows everything a ryot needs and tries to accommodate him every possible way, e.g.:—

- (1) Purchase of seed,
- (2) purchase of manure,
- (3) permanent improvements,
- (4) payment of kists,
- (5) purchase of cattle and houses, and
- (6) domestic and customary expenses.

The banker in most cases sells the harvested produce on behalf of his client and even advances sums of money on the produce, awaiting a good price.

7. Paradoxical as it may seem, banking through banks is extremely rare in India. Money-lender, often known by the dignified name of indigenous banker, is an institution in himself, who is dependent on the trade of the country, and the trade of the country is dependent on him. It is for this reason that he is an indispensable adjunct in spite of the too-well-known fact that his operations cause havoc in the economic life of the people in the countryside. Firstly because he charges an unconscionable rate of interest. Secondly, because he imposes iniquitous restrictions on his borrowers in the purchases and sales made by them. Thirdly because he lends money for uneconomic uses, e.g., for ruinous litigation, for extravagant social ceremonies, etc. In fact, the conditions are no better than those in Germany in the district where Raiffeisen started his first society in 1847. Despite such a state of affairs, his popularity does not seem to suffer any defeat. He remains unbeaten in the field.

The dealings of these bankers are, it is rather difficult to say, conducted on sound lines. Accustomed to a system of accounts handed down by their forefathers, jealously guarded and pursued by the present generation and not standardised by law, they are almost bewildering in their diversity. The unsophisticated ryot, with a "burden of debt on one shoulder and a burden of ignorance on the other", is not often known to dispute the demands of the banker. He has become an indispensable evil, and the ryots, in spite of all their grievances, cannot afford to exist without him.

8. With the rapid modernization of India going on before our eyes, the indigenous banking system must be remodelled at as quick a pace as possible. The best method is not to supersede the system, however bad it may be, either by co-operative societies or branch banking, but to adopt it to present-day conditions. Facilities for investment should be provided to tempt money from the hoards but also wean the banker from uneconomic advances. On the other hand, the ryot must not only be provided with funds on easier terms but should also be taught the fatal consequence of extravagance.

Indigenous banking with all its evils has a place in the national economy of India. The indebtedness of the ryot should not daunt us. There is the necessary credit, for debt is only another phase of credit, and there is also the necessary capital in the country. The question is one of better methods and better organization. All components of banking must be brought together. Registration and licensing of their business would help them considerably to expand the scope of their activities.

as it would increase public confidence. But they may not like outside control and regulation and publication of figures for this reason that they do not want publicity of this nature which is almost an anathema to them.

III.—Investment habit and attraction of capital.

1. The following are the means or institutions in existence in this province for encouraging savings and investment habit:—

- (1) The Imperial Bank with its branches.
- (2) The Joint Stock Banks (with branches in the case of a few).
- (3) Co-operative Central Banks and the Madras Central Urban Bank.
- (4) The Exchange Banks.
- (5) Land mortgage banks.
- (6) Government Savings Banks.
- (7) Nidhis.
- (8) Fund offices.
- (9) Chit funds.
- (10) Government bonds.
- (11) Joint Stock Companies.

The public, I think, have ample facilities for the investment of their savings.

I think that the habit of the people of India to invest in gold, silver and diamonds is systematically growing and traces of it may be seen even in the houses of common ryots. The readily realisable nature of the investment appeals to his mind so considerably that even at the risk of personal discomforts he would invest his savings, if they could be so termed, as well as his borrowings in gold and silver. The extravagant habit of investing in diamonds has not spread even among the richer agricultural class, while in towns and cities its popularity is almost alarming. It is a well-known fact that unlike gold and silver, diamond jewellery does not fetch a good price so readily as the former which have always a ready market. To all practical purposes gold and silver may be regarded as cash in hand but diamonds are not in such a happy position. Apart from their alluring brilliance, they have nothing to recommend themselves.

2. I learn that the postal cash certificates are not very popular in these districts. As a first step towards making them more popular, I should suggest that they are made negotiable. It is mostly the lower middle class that resort to such forms of investment. In most of the Western countries, this institution is most popular among the agriculturists and industrial workers. No traces of such popularity can be said to exist in India.

I am of opinion that it is not so much the competition of the Government with bankers and banking institutions that matters most but the use to which all such savings of the country are put to. They are, if I may so say, utilised for the current expenditure of the Government, and the people are deprived of the benefits of their savings. It would not be out of place to mention the grievance of the Father of Irish co-operation, Sir Horace Plunket, that the deposits of the local savings banks were transferred to London and so lost to Ireland which has never enjoyed a plethora of money. If Indian agriculture and industries are to be supplied with all the capital they can usefully employ, the savings of the people should as far as possible be made available for their development.

3. To a considerable extent, farmers lend to fellow-agriculturists on terms much more favourable than the village sowcar. Any surplus money in a prosperous year after meeting a few loans is invested in gold and silver and land.

4. The development of cheque habit in India has not kept pace with the development of banking facilities, it has made very slow progress. Beyond the official class, and the regular merchants, cheques are not popular as in the West among the other classes. This is vastly due to the minimum balance, generally prohibitive to an ordinary person, insisted upon by the banks. Unless lower amounts are accepted and our shopkeepers educated to accept cheques for even small amounts, no bright future for the cheque habit can be foretold. I may observe here that the abolition of stamp duty on cheques has not made any appreciable difference in the volume of cheques. As already stated, the cheque habit is popular among the higher official class and merchants who are not at all affected by the abolition while it is not sufficient inducement to acquire

a habit. Thus it may be premised that the abolition has not materially affected the cheque habit.

Two things should be done before the cheque habit could spread throughout the country. It should be in the vernacular script of the province and the small depositor should not be frightened away by very high minimum balances. My experience of Scotch banks is that they do not insist on any minimum. There were times when only a few shillings were left to the credit of my account.

I am not very hopeful that a measure like the payment of Government servants and bank employees above Rs. 100 by cheques would in any way further the cheque habit. To start with, it may be observed that except in the case of a few, the transactions of the majority of us are small, involving small amounts, and the ordinary grocer, laundryman, milliner, butcher, etc., have not yet acquired the habit of accepting cheques in satisfaction of sums due to them. Why, most of them do not have a bank account, and in the absence of a bank account we cannot expect them to accept our cheques. Banking in India has not developed so far and the advantage of cheque currency in national finance is almost a closed book to many. Until and unless banking facilities are brought within the reach of men of limited means, as it is in most of the western countries, it would be difficult to popularize cheque habit.

Cheques, paying-in-slip books, deposit receipts and other bank forms may be bilingual. The bank advertisements including those of the Imperial Bank now appearing in vernacular papers are so clumsily worded as to be incomprehensible to readers ignorant of English. A more simplified form, avoiding technical words, should be adopted on the lines of American advertisements. The importance of a judicious propaganda in vernacular newspapers for stimulating banking in rural areas cannot be over-exaggerated.

5. I do not wish to subscribe to the opinion held by a class of writers that the banking and investment habit in India has not been very marked. It must be said that their growth could have been accelerated by certain factors. Mention should at the same time be made of certain forces that have stemmed the tide of banking in India.

The pioneers of banking in India have not yet succeeded in evolving a compact money market. Our banks work with inadequate cash reserve and as Keynes puts it, "Every one is reckoning in a crisis upon every one else." This anomaly has not been removed with the amalgamation of the three Presidency banks. The Imperial Bank of India as at present constituted cannot be called a Central Bank although it is easily the most important constituent of the money market in India.

The right of issuing currency has been vested in the Government. This divorce between paper currency and banking has made our currency system extremely inelastic. The evil was aggravated when the mint also was closed to the public. The expansion and contraction of currency are thus entirely in the hands of the Government. Apart from this fundamental defect, big reserves have under this system to be held in London, viz., the Gold Standard Reserve and the sterling portion of the Paper Currency Reserve. If these could be kept with the Imperial Bank, properly reconstructed for the purpose, or with a State bank, the credit famine from which India is at present suffering would be a thing of the past.

This leads us to the second cause, that of the relation between Indian Banks and exchange banks which form the second main constituent of the money market in India. As our banks are practically debarred from doing exchange business, the exchange banks look to their head offices abroad for finances at the busy season and not to the Imperial Bank of India or any other bank.

This brings us to the ineffective nature of the Indian Joint Stock Banks, the third main constituent of the Indian money market. In the absence of a regular discount market financed by the Imperial Bank, the bank rate will continue to be merely nominal as at present. The Imperial Bank must occupy the same position in the money market in India as the Bank of England does in England.

If the relationship of the Imperial Bank with the organized constituents of the money market is so loose, it is no wonder that the connection with the unorganized constituents, represented by the indigenous bankers

(with private banks standing at one end and the small village sowcar charging usurious interest at the other) must be very remote. It is therefore clear that until the money market is better organized so as to bring all its constituent parts into more intimate touch with the Imperial Bank, there can be no real impetus to the growth of banking in India.

I wish to suggest that the best way to develop Indian banking is to convert the Imperial Bank into a State bank or to start an independent State bank, to which will be entrusted as a matter of course all the funds and all the banking business of the Government, including the issue of notes. The primary aim of the State bank should not be higher and higher dividends but better and better banking facilities. The unhealthy rivalries and other inherent evils in the present system can be removed only by this measure. It ought to serve as a banker's bank. It should institute clearing houses and lend through these banks rather than do it directly.

One of the most salutary effects of the opening of new branches in recent years by the Imperial Bank has been the ease with which any one in need of money for a short period, be it even a few days, can get on the security of jewels deposited with the bank at 1 per cent above the bank rate subject to a minimum of 7 per cent. I have it on authority that this is increasing in popularity among all classes, especially with the upper middle class who are very particular that their transactions ought not to be known to others.

It is rather difficult for most people to get accommodation for a few days with the indigenous bankers. But the Imperial Bank is ready to come to the rescue of such people. Take for instance a local dealer wanting money to pay for a consignment of crackers he has ordered for Deepavali. What he wants is a sum of money and he knows he can repay it immediately after the festival. He takes a jewel or two to the Imperial Bank and gets advance on the pledge of the jewels and redeems them as soon as he realizes the amount. The bank insists on the payment of a minimum interest of one rupee, which no one would grudge to pay.

As already mentioned, produce loan business has vastly developed, conferring real benefit on the merchants who cannot find an immediate market but must have cash to carry on their business.

Lastly it may be observed that many indigenous bankers in the good books of the bank are enabled to borrow from the bank to augment their available resources and lend out to their usual constituents at higher rates of interest. This state of affairs has a demoralizing effect on genuine banking operations and it is high time these interlopers are done away with.

Written evidence of MUHAMMAD MOHIUDDIN ADENI SAHIB
Bahadur, Deputy Registrar of Co-operative Societies,
Vizagapatam.

I.—Agricultural credit and credit facilities for small industries.

1. The present system by which the agriculturist obtains finance (a) for expenses during cultivation, (b) for capital and permanent improvements, and (c) for other special needs, e.g., failure of monsoon, for land revenue, etc., is through (1) co-operative societies in villages where they exist, (2) local money-lenders, merchants, (sowcars) landlords and inamdars and (3) Government under the Agriculturists Loans Act and the Land Improvement Loans Act.

The rates of interest charged by co-operative societies is 9½ per cent for all kinds of loans, i.e., short or long-term loans, whether on the security of standing crop, produce, surety, or mortgage of land. The rate of interest charged by Government on takavi loans is now at 6½ per cent. As regards the rates of interest charged by local money-lenders and merchants, etc., they vary with reference to the individual borrowers, their financial and other circumstances, the period of loans and the securities given and accepted. The details are as follows.

Short-term loans repayable at the next harvest: 12 to 18 per cent is generally charged to ordinary ryots, mostly gold security is accepted. Money-lenders do not generally give loans to ordinary ryots on simple promotes. In cases where the agriculturists agree to give over their produce in repayment of the loans, merchants generally finance agriculturists but the interest in this case works out at 24 to 48 per cent or even more. Solvent ryots always secure short-term loans at 9 or 10 per cent on simple promotes. As regards long-term loans, ordinary ryots get them on the security of land mortgage at 10 to 12 per cent whereas well-to-do ryots procure them even at 6 to 7½ per cent. Long-term loans by any class of ryots are secured only on mortgage of landed properties.

Co-operative societies give loans to their members for short-term purposes on the surety of two members or on the security of standing crops or produce and for long-term purposes on the mortgage of landed properties repayable in a number of instalments out of the annual savings of members. Takavi loans by Government are secured by the mortgage of land in the case of land improvements.

The part played in agricultural finance by Government is through the Agriculturists and Land Improvement Loans Act. Loans needed for the purchase of agricultural cattle and other requisites are given under the provisions of the Agriculturists Loans Act repayable in a number of years. For permanent improvements to lands and for reclamation of waste lands, loans are given by Government under the provisions of the Land Improvement Loans Act. These loans are also repayable in a number of years. Only in Government villages these loans are generally given. In zamindari and other inam villages these loans are not popular. The Imperial Bank of India and other joint-stock banks do not finance the agriculturist direct. The Imperial Bank of India finances the big money-lenders in towns by way of cash credit for money-lending business and these people in their turn finance the agriculturist at higher rates of interest ranging from 12 to 18 per cent on the security of gold. In some cases where the money-lenders or merchants have no credit with the Imperial Bank or have exhausted their credit, they collect the gold offered as pledge to them by the agriculturists, lodge it with the Imperial Bank, draw money on its security at 7 or 7½ per cent and lend it to small agriculturists at not less than 12 per cent. Other joint-stock banks are not popular in this part of the country as the Mysore Agricultural Dairy Farming Company failed to function successfully. Co-operative banks play a very important part in the agricultural finance now. There are nearly 500 co-operative societies in the Vizagapatam district and nearly 600 in the Ganjam district. All these societies are popular and they give loans to their members for all agricultural purposes on advantageous terms. The

indigenous banks and bankers, professional money-lenders, merchants and dealers, also play an important part in the agricultural finance. But they are not as advantageous to the agriculturists as the co-operative societies. The former look to their personal benefit while the latter attempt to benefit the agriculturist in every way. If co-operative societies are improved largely and made to finance their members more freely on the security of standing crops and produce and even gold the condition of the agriculturists will be largely ameliorated.

Companies trading in fertilizers, etc., are not very popular here. They are giving a month's credit to agriculturists through certain institutions taking up the distribution of the manures, etc. They should try to be more popular.

A rough estimate of the total requirements of the Ganjam and Vizagapatam districts for agricultural purposes specified above will be about two crores of rupees.

So far as co-operative societies are concerned the chief defects in the system of agricultural finance are the following:—

(1) The borrowing power of rural societies is generally fixed at not more than $\frac{1}{4}$ of the net assets of the members comprising the society but the individual borrowing power is not fixed on the same principle. This is mostly fixed with reference to the average needs of the agriculturist which is not sufficient for large producers. So the fixing of the individual maximum borrowing power in rural societies should be on a more liberal basis so as to satisfy the needs of all big agriculturists in villages both under short and long terms. The fixing of the maximum borrowing power of societies also should be more liberal so as to cover the long-term needs of all the members as land mortgage banks cannot be expected to function for each and every village.

(2) The obtaining of loans by societies from the central bank was originally on the strength of the loan recommendation of the Assistant Registrar. Of late this power has been transferred to unions functioning properly and much delay has been saved. Still there are some unions which have not got the power of direct recommendation of loans to the central bank and there is naturally some delay in the societies affiliated to such unions getting loans from the central bank. Steps have to be taken to improve the condition of such unions by educating the governing body members and by exercising better control over the supervisors employed by such unions.

(3) In a majority of the societies, want of education on the part of the office-bearers of societies not to speak of the members stands in the way of getting loans at the proper time. At every stage, the societies stand in need of help and guidance from the supervisor. Steps should be taken to impart necessary education to panchayatdars of societies as well as members.

As regards the system of agricultural finance by other agencies such as the indigenous banks and bankers, professional money-lenders, merchants and dealers, the well-being of the agriculturist has no consideration at their hands as they always look to their personal profit. These agencies are not well organized and controlled by any Act. Hence this system of finance which only aim at self-aggrandisement cannot but be seriously defective in many ways. It is, therefore, highly desirable that these agencies should be governed by an Act of Government like the "Usurious Loans Act" and effectively controlled and supervised.

There is co-ordination among the various credit agencies including Government as shown below.

As between the Imperial Bank and Government, there is apparent co-ordination in view of the fact that all the funds of Government are lodged in the Imperial Bank with little or no interest and that the said bank functions as an agent of Government for the receipt or payment of any money due to or due by Government where such branches exist. As amongst the co-operative banks and the Imperial Bank also, there is co-ordination as the latter allows overdrafts to the former to facilitate their transactions. There is co-ordination between the Imperial Bank and the indigenous banks and bankers, professional money-lenders, merchants and

dealers as the Imperial Bank allows cash credit to the various other agencies. But this co-ordination is not healthy in some cases where the Imperial Bank finances money-lenders and merchants for exploiting the ignorant agriculturists. There is no unhealthy competition between the Imperial Bank and the other banks.

2. The present method of marketing principal crops is that each individual producer who is indebted to the sowcar and who enters into an agreement with him hands over the produce to the sowcar accordingly in repayment of the outstanding debt against him at the rates in kind fixed at the time of borrowing money. Others who produce large quantities and who can afford to take the produce to the nearest market centre, sell the same to their advantage in a favourable market. Small producers sell it in their villages only to village dealers who go about in making purchases for merchants in towns and are often cheated by them in measure and price, being ignorant of the prevailing foreign market rates. There is a general tendency on the part of the illiterate and ignorant producers to dispose of their produce outright without waiting for a better market as there are no facilities in villages to stock the produce for some time at least after harvest. At all important market centres, commission sales are carried on by merchants on behalf of the producers who have to pay them a small commission. If the whole of the produce brought to the market is not immediately sold, some advance is given by the commission agents on the security of the produce which will be sold when the market is favourable.

At some important market centres, co-operative loan and sale societies are organized with the object of assisting the small producers in the marketing of their produce, chiefly the commercial one. These societies are making headway and hope to benefit the producers largely. I have a few suggestions to make in regard to the pooling of the produce and effecting a sale on co-operative lines. It is an undoubted fact that the price of any commodity will be favourable to the producer at the market centre than at the village where it is produced. Therefore, if every producer who proposes to dispose of his produce joins the organization called the loan and sale society, he will have the benefit of securing his saleable produce in the godown of the organization which will be at the market centre, till a better price is got. If immediately after he removes the produce to the godown of the loan and sale society, the desired price is not secured, he may, if he requires money, take a pledge loan and leave the produce in the custody of the society. The produce left in the custody of the society by a number of such producers may be co-operatively marketed to a single wholesale foreign company dealing in export trade. Such wholesale companies can afford to give a decent price when they secure any produce in a lot. If each individual producer wants to dispose of his produce as and when he pleases, better price cannot be secured, as such small quantities will be within the purchase power of small middlemen. I, therefore, suggest that the produce of agriculturists especially the commercial one, such as, groundnut, cotton, jaggery, etc., should be encouraged to be pooled at the market centres and co-operatively marketed to the benefit of the producers where possible, making the produce ready for export by big companies making wholesale purchases of such produce.

As already stated above, the credit facilities existing during the course of marketing products are that the producers can have advances up to a certain extent on the security of the produce brought to the market godowns of loan and sale societies as well as private merchants. These godowns being generally situated at the market centres are not within the easy reach of small producers situated at a distance from the market. It is always the small producers that are exploited by the merchants or dealers who go to villages and purchase stock at dubious rates under false weights or measures from these producers as they depend for their livelihood mainly upon the produce raised by them. The big producers who do not depend for their living on the money realized by the sale of their produce immediately after it is harvested can afford to wait till a better price is offered for their produce. These people also dispose of their produce early being unable to secure the produce safe. If they are given facilities to keep the produce secure in some godowns near their villages and to borrow the needed money on the security of such produce there is every scope for improving the economic condition of the agriculturists.

Co-operative societies here and there and co-operative loan and sale societies situated at the market centres are trying to help the producers in this matter but this is on a very limited scale. If every village or a group of villages is provided with godowns within five miles from their headquarters to stock their produce with facilities to borrow money on the security of such produce, it is sure that every producer of commercial crops will certainly hold up the produce for a better market and will also try to market the produce on co-operative lines so as to get all the profit—that is now taken away by the middlemen for themselves.

Foreign trade is not generally undertaken by agriculturists but is mainly attended to by European firms.

The Imperial Bank of India gives loans on the security of produce collected and placed in its custody either at its godowns or the godowns of the millowners. Bankers and merchants also give advances on the security of produce placed in their custody.

For internal remittance the facilities available to the public are that hundis are discounted locally in the Imperial Bank of India at the time of presenting if the presenter happens to be a constituent.

Where there are no branches of the Imperial Bank internal remittances are found to be difficult. Facilities may be created at all important market centres to open sub-branches of the Imperial Bank.

Sample copies of hundis current in these parts are attached.

I have no suggestions to make.

Hundis are discounted locally in the Imperial Bank of India at the time of presenting if the presenter happens to be a constituent. But generally the discounting business is done by other bankers who happen to have their head offices at metropolitan centres. Hundis are held by middlemen, merchants or commission agents also.

At first capital is raised by the village sowcar on the pledge of produce collected by him and sold to the merchant in the town. The merchant in the town pledges the produce in his turn with the Imperial Bank of India and obtains pledge receipts and letters of transfer are accepted and finance obtained by the owners.

No difficulties came to my knowledge.

I have nothing to say.

3. There are several kinds of land tenures in this area and the chief among them are:—

(1) Zamindari jirayati, (2) Government jirayati and (3) inam.

The value of zamindari jirayati and Government jirayati lands are—

Zamindari dry Rs. 50 to Rs. 300, zamindari wet Rs. 150 to Rs. 600, Government dry Rs. 90 to Rs. 600, Government wet Rs. 200 to Rs. 1,000, inam dry Rs. 300 to Rs. 700, and inam wet Rs. 500 to Rs. 1,200.

The value of land in Government auction for non-payment of revenue or sale by court decree decreases by 25 per cent to 50 per cent.

4. There is no legal impediment generally.

There are no land mortgage banks but there are co-operative central banks for the provision of long-term credit to primary societies.

The co-operative banks raise funds on the basis of their paid-up share capital and reserve fund up to ten times and give long-term loans not exceeding six years.

A central co-operative land mortgage bank for the province has been recently organized with the object of raising long-term credit required. To utilize the funds raised by this bank primary land mortgage banks, on the lines of the models now working, may be freely organized in every district for providing long-term credit to landholders and tenants.

(a) Subdivision and separate registering of holdings may be freely and promptly carried on both in the Government and zamindari tracts.

Yes, from deposits, funds from central institutions or debenture bonds and share capital by members.

Yes the debenture bonds should carry Government guarantee for both principal and interest.

The mortgages obtained by the bank should be pledged to Government as collateral security up to 50 per cent of the guaranteed amount in excess.

6. The following are the small industries allied to agriculture: mostly hand-spinning and jaggery making.

II.—Indigenous banking.

1. The functions of the indigenous bank or banker are:—

(1) Money lending, (2) hundi transferring, (3) compound gold loan business, (4) purchase and sale of silver, gold and gold coins and (5) giving credit accommodation to small merchants and dealers.

2. Indigenous banks and bankers assist agriculturists in agricultural seasons by giving loans to them on the pledge of gold and by also giving them clean advances after obtaining contracts from them to deliver their produce to them at prices fixed or for sale at their godowns on commission system. Some bankers give credit accommodation to petty traders.

3. The organization of the indigenous banking system generally comprises a capital outlay of ten to fifty thousand rupees and the volume of their business extends to about ten times their outlay. Their expense range between 15 and 25 per cent of their profits. Excepting clerical and some outdoor business, the remaining work is personally attended to by the banker himself. There is no relation between one indigenous bank and another, but a majority of indigenous banks have credit accommodation with the Imperial Bank of India.

5. Indigenous bankers generally give loans on the pledge of gold or on condition of the agriculturists' produce being delivered to them either at a fixed rate or on commission system. Twelve per cent interest is charged on loans which are generally given on pro-notes. House mortgage in towns or sureties are taken generally. Cash credits are allowed at 9 per cent to well-known traders.

Indigenous banks and bankers will have some outlay in the beginning which will be subscribed by a number of them joining together in some cases. They raise funds from the Imperial Bank by way of cash credit and also purchase goods, etc., on credit by making small advances.

I have not known instances wherein these bankers receive deposits.

6. Generally 12 to 18 per cent is charged in money while the rate in kind works out at 24 to 48 per cent.

If the agriculturists are organized in such a way as to completely repay the dues of the bankers annually without having running accounts with them, these rates could be brought down. Honesty on the part of the agriculturists also would go a great way in ameliorating their present deplorable condition.

7. There is prejudice and the borrowers are helpless:

Yes, they are sufficiently protected.

Yes, they are conducted on sound lines. There are no defects.

8. The establishment in recent years of co-operative banks all over the Presidency has to some extent brought down the rates of interest on loans by indigenous banks and bankers and merchants. The organization of the co-operative movement on more sound lines and on a larger scale would set the indigenous banking system on a better footing and improve the level of honesty of the bankers. The indigenous banking community will resent the introduction of any measures for regulating their operations. The system will organize itself in course of time when there are other concerns to correct it.

9. The net return would come to twice what other concerns are getting, i.e., if honest banking yields 6 per cent, indigenous banking would yield 12 per cent.

10. Generally they are able to meet all demands but are now and then obliged to refuse some on account of the unacceptable nature of securities offered.

11. A link may be formed between the indigenous banking system and the central money market and provincial capitals only if these bankers deal honestly and moderately and if they transfer their pledged securities to the central money market and provincial capitals. In that case all accommodation required by these banks may be allowed and facilities created to take their surplus resources on reasonable terms.

I would suggest the establishment of local banks with local directorates at all important centres where indigenous banking system prevails with facilities created to indigenous banks to get accommodation from them. The sphere of operations of these banks may be restricted to mercantile or other activities so that there may be no unhealthy competition between them and the banks organized exclusively for agriculturists.

Such banks may be formed with indigenous bankers also as their constituents having share or interest in them so that those banks may utilise the local knowledge and experience of the indigenous banks and also inspire their confidence.

The competition of the indigenous bankers with such a bank will be avoided if such banks use the indigenous banks as their agents and restrict their operations mainly to the indigenous bankers.

12. I do not think there is a large amount of idle money in the hands of indigenous bankers. However, a few bankers here and there may keep idle money for want of sufficient enterprising spirit. Propaganda with such people will bring out the money for remunerative employment in the concerned districts.

III.—Investment habit and attraction of capital.

1. The existing banking resources in the province are deposits by zamindars, big landlords, merchants and officers, funds of insurance and other companies.

It is not additional capital that is so much required, but the habit of banking.

For encouraging savings and investment habit the chief institutions in existence are: (1) Life insurance companies, (2) postal savings bank, (3) co-operative banks, (4) joint-stock banks and (5) debentures, Government promissory notes, postal cash certificates and war bonds and provident funds.

Yes, facilities are provided for, but there is no compulsory means of savings.

The existing facilities can be extended in smaller interior places also by carrying on propaganda at a time when the rural population will be in possession of funds. Postal savings bank accounts also may be opened in branch post offices. Co-operative banks and societies may be induced to attract deposits by offering favourable rates of interest and the usurious money-lending profession should be killed by the enactment of a law.

India being a self-contained agricultural land, its people had no necessity to deal with foreigners in bygone days. They used to invest their savings on lands, gold, silver and other valuables. In times of need, they could easily raise money on the mortgage of the gold and silver ornaments or by their sale. Now on account of the western civilization, this habit of investing in gold and silver is going out of fashion in enlightened circles. A majority of people are now investing their savings not in purchasing lands but on Government paper, debentures, etc.

2. Postal cash certificates are popular in these parts to a small extent in enlightened circles. Intense propaganda will make them more popular.

No change is required. The existing rates of interest and terms of issue are good enough.

No. The restriction on withdrawal of money once in a week has to be removed and interest on daily balances may be allowed.

Generally the official and enlightened class resort to such forms of investment.

Yes, by altering the existing rules to suit the convenience of labouring classes.

I do not think there is competition. The rates allowed on postal cash certificates, etc., are reasonable.

3. Government securities can be purchased and sold freely at the Imperial Bank of India and certain other banks and the Government post offices at par.

Small agriculturists and small investors do not go in for this form of investment.

Land mortgage banks issue and purchase debentures.

Generally agriculturists invest their surplus funds in a prosperous year in purchasing gold and neighbouring lands or in giving loans on the mortgage of lands. Other classes of people invest their savings in banks or in discharging prior debts where there are such.

The farmers lend to fellow agriculturists at 12 per cent on the mortgage of land. Surplus money in a prosperous year is invested in purchasing land or gold or in giving it as a loan on the security of land.

Among the indigenous population very few have money required for capital. The few that possess money invest it in loans to fellow agriculturists and thus improve the capital which is distributed most generally in the village itself as the supervision of the capital can be easily made by the concerned man himself personally.

4. Only in the Imperial Bank and in the Vizianagram Central Bank the habit of using cheques on current accounts with the banks finds a place.

The abolition of stamp duty on cheques did not popularize the habit of using cheques in these parts.

Only officials and business men use cheques. The cheque habit may be further promoted by inducing highly-paid officers to open current accounts in banks.

I have no suggestions to make.

5. This is partly due to the non-existence of banks in India in olden days within the easy reach of the investing public who were all landlords and partly due to the absence of enterprising spirit among them as they were all a set of uneducated people.

Well-to-do and wealthy people and zamindars may be induced by Government to put in their surplus money in productive undertakings by carrying on propaganda and by offering Government guarantee as to their proper utilization of the funds.

Among business men and middle class people banking habit has taken root and people freely resort to the banks for investment and for borrowing also. Every merchant of some standing has credit with the bank and they have all kinds of transactions with it. Gold loans are taken from the bank by all middle class people.

No. _____

Vizianagram _____ 19 .

Vizianagram _____ 19 .

Rs. _____

Name _____

On demand please pay to _____

Address _____

_____ or order the sum of

Rupees _____

Rupees _____

for value received _____

_____ only.

To _____

From _____

No. _____

No. _____ 19 .

Rs. _____

Name _____

On demand please pay to _____

Address _____

_____ or order the sum of

Rupees _____

To the order of _____

for value received.

To _____

**Written evidence of M.R.By. C. BHASKARA RAO NAYUDU Garur
B.A., Deputy Registrar of Co-operative Societies, Rajahmundry.**

1.—Agricultural credit and credit facilities for small industries.

1. (a) Agriculturists get loans (i) from co-operative societies in villages where such societies exist, (ii) from local money-lenders (sowears), and (iii) from the merchant who stipulates to buy the produce as soon as it is harvested at a price which is fixed to his advantage. It cannot be definitely stated what proportion of the financing is done by them. The working capital of Alamuru Co-operative Society is Rs. 1,08,000, of Kapileswarapuram Co-operative Society is Rs. 91,889, of Ramachandrapuram Co-operative Society is Rs. 86,000, of Pulivela Co-operative Society, Rs. 95,000 and of Bodasakurru Co-operative Society, Rs. 1,00,792. These are a few of the larger societies. But the majority of the societies are very small institutions. (iv) The agriculturists are financed indirectly by the Imperial Bank also. The less the efficiency or activity of the co-operative society concerned the larger is the part played by the other two agencies. The number of societies doing appreciable work cannot be more than 10 per cent of the total number of such societies while 20 per cent of them are practically dormant.

(b) In the case of capital and permanent improvements the co-operative society, the land mortgage bank where one exists, and the local capitalist (e.g., a rich brother ryot) finance the agriculturist. The Government lends up to Rs. 50,000 to land mortgage banks which lend for permanent improvements of land besides the redemption of prior debts.

(c) For special needs as failure of monsoon and for land revenue the agencies mentioned in (a) play the most important part.

The rate of interest in co-operative societies is as a rule 9½ per cent per annum, while the rate of interest of the local money-lender ranges from 6 or 7½ per cent to 18 per cent or 36 per cent. Twelve per cent is the normal rate when the security is good. In the case of the merchant who lends the ryot entering into forward contracts with him, the rate may work up to 24 or 36 per cent. In some cases it may be even more (say 50 per cent).

As far as co-operative societies are concerned the rates are the same with regard to (a), (b) and (c), but in the case of the ordinary money-lender the longer the term and the more substantial the security the lesser is generally the rate of interest, but the difference in the rates may not be more than 3 or 4 per cent. The normal rate may be taken to be 9 per cent.

The periods fixed in the case of loans referred to in (a) are mostly one year or less according to the nature of the crop and the season of harvest. In the case of capital and permanent improvements the periods range from two to five years and in some cases they may run up to even 10 years. Co-operative land mortgage banks lend for 20 years. In the case of (c) the periods are the same as in the case of (a).

In the case of (a) and (c) the loans are mostly on personal security or on the security of standing crops or produce; while in the case of (b) the security is mostly immovable property.

In the case of (a) and (c) when the local merchant finances he lays down the condition of the produce being sold to him alone at a price fixed at the time, which is generally considerably lower than the prospective ruling price at or after the harvest season. In the case of weavers, when they borrow from a cloth merchant they enter into the contract of selling the finished product to the creditor alone at the price fixed by him.

The Government lends up to Rs. 50,000 to each land mortgage bank. "Takavi" loans are also given for land improvement. The Government gives loans to co-operative societies for the construction of godowns for

storing grain, for the improvement of lands and for sinking wells to irrigation co-operative societies and to land reclamation societies, and through the Industries Department to ryots for the purchase of machinery connected with water-lifting. The dairy societies have also been helped by the Government.

The Imperial Bank of India is allowing cash credit to co-operative central banks on the collateral security of the promissory notes of societies. This is of course an indirect way of helping the agriculturist in the village.

The bank gives loans on the pledge of produce in a few cases to rich ryots storing large quantities. But the ordinary ryot is not directly helped. It is the merchant that mostly gets loans by the mortgage of agricultural produce. Thus indirectly the ryot is benefited as the merchant who borrows money pays it to the ryot as the price of the produce.

The part played by joint-stock banks in the matter of agricultural finance is not in evidence in this part of the country.

There are co-operative banks established throughout the Presidency. The Madras Central Urban Bank supplies funds to central banks in the districts. There are four such banks in the East Godavari district and one in the West Godavari district. The district central banks give loans to primary agricultural societies in villages which in their turn lend out to the individual ryots. Thus the said banks play a very important part with regard to agricultural finance. There are established not less than 15,000 primary societies in the Presidency financed by 30 district central banks and two provincial banks. Seven lakhs of members are benefited by them. In the East and West Godavari districts there are more than 1,000 societies and 80,000 members.

There are several Marwaris spread over the country who have made it their profession to lend out money to the agriculturist as well as the artisan and the poor and the middle-class people in general. They give short-term loans on the pledge of movables such as gold and silverware and ornaments. The rate of interest for the first three months is Re. 1-0-6 to Rs. 1-6-0 per cent per mensem ordinarily. The principal and the interest must be paid at the end of the third month. In case of default the rate is Rs. 1-14-6. These shylocks are found even in villages where there is any opening for their trade. But they have not given an appreciable number of loans for agricultural purposes. Their loans are never long-term loans. There are indigenous professional money-lenders (sowcars) in villages, who permanently live therein and carry on their trade regularly. In every village, small or large, may be found such money-lenders. Their rate of interest varies from 6 or 7 per cent to 18 to 36 per cent. The term fixed is generally a few months but they are not particular about punctual repayments. They often allow the loan to run on for years so that the interest may accumulate. Some of them may like to become owners of the property that is mortgaged to them. When the security is good they like defaults. They are not anxious like the Marwari to get the interest. It may be safely said that a very large per cent of agricultural financing is done by these village money-lenders. Probably it is as much as 50 per cent.

Merchants and dealers.

This class of money-lenders generally give loans to ryots for various agricultural purposes including kist. They are emergent loans and the ryot approaches the merchant at a time of an urgent need and agrees to such disadvantageous conditions as selling the produce to him at a certain low price whatever the market price be. He does not mind to stipulate even the rate of interest. For, the forward contract entered into enables the merchant to get sometimes 30 to 100 per cent of interest and it is a short-term loan only. He gets back in a few months much more than what he lends out and is ready again to finance the ryot at the next occasion. Thus, the poor ryot is compelled to be a chronic debtor always at the mercy of the merchant depriving himself of the share of the produce rightly due to him. This sort of agricultural money-lenders are quite numerous.

Defects in the system of obtaining finance by the agriculturists.

I shall take up one agency after another in discussing this question.—

(1) Co-operative societies are not established in all the existing villages. The reason is that there are not sufficient active agencies to organise societies in all the villages where there are no societies now. The remedy is to create new agencies or make the present agencies (e.g., unions, federations, honorary organizers and administrative inspectors) sufficiently active.

(2) Even in the villages in which the societies exist the whole financing is not done by them—

(a) All the ryots are not admitted into the society.

(b) They are not supplied with funds as readily as they should.

(c) Even the ryots who are already members of the existing society are not supplied with the entire money required.

Reasons.

(a) (i) Good character is the most important condition of admission into a co-operative society. Several people are therefore necessarily kept out of these societies.

(ii) The panchayat of some societies are indifferent to their duty. They do not mind taking the necessary trouble to find out and induce actively all the members that may be admitted. Owing to local differences or disagreements or party spirit existing in their minds the panchayat positively refuse or prevent the admission of even men of good character.

(iii) The old money-lenders have such strong hold on their debtors and place such obstacles in the way of the ryot (his old client) extricating himself from his clutches that the poor ryot does not find it possible to join the co-operative society and have dealings with it, for fear of the local sowcar creditor.

(iv) For want of ability on the part of the society to supply sufficient funds several agriculturists do not give up their old creditors and join the society, because such restrictions as individual maximum borrowing power and society's maximum borrowing power exist in societies. The sowcar in the village or outside it, when he can supply money, will do so without such restrictions provided there is sufficient security, i.e., if the value of the property given as security is double the amount of money required. Under the present rules obtaining in co-operative societies the needs of all ryots cannot be satisfied to the extent required. The rules (by-laws) cannot be so soon changed for fear of difficulties that may present themselves in the realization of the dues from members. It may not be possible or desirable to change the rule of one-eighth of the net assets of members in fixing the maximum borrowing power of societies. Thus the problem may be solved in the near future only to some extent and not completely.

(v) In some cases want of sufficient repaying capacity stands in the way of some of the ryots being admitted into societies or at any rate of getting the required funds. The sowcar cares only for the security and does not mind the repaying capacity.

Remedies.

I suggest remedies for the abovesaid defects seriatim.

(i) Steps must be taken to improve the character of people by example and precept by the existing members of the society concerned. In some cases the character of men has improved after they were admitted into co-operative societies as such societies exercise a wholesome influence on its members. The panchayat may admit men who are not beyond correction on their solemn promise of improving their character and conduct. Thus one after another all bad characters may become good in course of time.

(ii) The indifferent panchayat must be made to be attentive to its duty by the general body. If it is incorrigible it must be removed and replaced by better panchayat who impartially deal with men in the matter of admission as well as in the matter of granting loans or collecting them or otherwise dealing with them.

(iii) If the co-operative society be enabled to fully satisfy the requirements of the would-be member he may defy his old creditor, repay all his prior debts, and boldly join the society.

(iv) Societies may gradually increase the individual maximum borrowing power and their own maximum borrowing power by infusing confidence into the minds of financing banks by their regularity and punctuality in fulfilling their obligations to the depositors or the banks.

Possibilities for supplying long term money through such institutions as land mortgage banks may be developed gradually both as regards the amount of money lent out and the purpose for which it is lent. The management must prove to be sufficiently efficient so that the banks may command the confidence of the public. In course of time funds may flow in and all agriculturists may be served satisfactorily.

As regards the defects found in the system of the agriculturists being financed by local money-lenders and merchants the remedy is in the development of the co-operative movement itself. When the money-lender or merchant finds that he is either scorned or despised by the most influential of the villagers or by the largest number of them he must come down on his knees and correct himself in his own interest or give up his trade and join the co-operative societies itself.

There is some co-ordination between some of the financing agencies. There is immense scope for the development of such co-ordination where it exists and for its creation where it does not exist or is only nominal. For instance, the co-operative banks and the joint-stock banks and the individual money-lenders or indigenous banks may be brought closer, and greater facilities for the flowing of funds from the one to the other may be created.

2. There are four important marketing centres in the district, viz., Cocanada, Rajahmundry, Tuni and Peddapuram. As regards coconut, specially Bodasakurru in the Amalapur taluk and Ambajipet in the Razole taluk may be considered to be market centres. The principal crops such as paddy are taken by some ryots to the marketing centres where they are sold to the local merchant who deals in them. Mill owners also buy paddy and husk them. Agents of grain dealers are sent round to villages for advancing money to ryots and when the crop is harvested they gather the paddy and take the same to the mills.

There are also merchants who act as commission agents and buy paddy, etc., in response to orders received from other places. Small ryots who get a limited quantity of crops take their produce in their own carts to the markets and sell them to merchants and consumers.

Co-operative loan and sale societies are useful agents for pooling produce and arranging for its marketing. Loan and Sale societies may be organized at such marketing centres in the district as Cocanada, Rajahmundry, Tuni and Peddapuram. The societies will not only encourage the pooling of produce but will also help the agriculturist in selling it to the best possible advantage. The merchants and their agents advance loans to agriculturists and draw them into their meshes and never permit them to escape from them. The cultivator is obliged to take his produce to him and sell the same at a price fixed by the creditor. Next, under a number of heads, e.g., go-down rent, clerk's remuneration, kolagaram (measuring and weighing charges), agents' commission, contribution to charitable funds, etc., the creditors make deductions from the sale price. The amount realized by the sale of produce is thus reduced till at last he is allowed to take with him but little after the necessary amount calculated in his own way by the creditor is credited to the loan account. The cultivator is therefore obliged to resort to the old customer again for a loan at the next season. Even when he is not indebted to a sowcar at the marketing centre, he is obliged to be at the mercy of the cunning merchant or commission agent at the place, as the ryot has no godown of his own to keep it in the town for leisurely arranging for its sale. He is anxious to sell away his grain or other produce quickly and get back to his village. In his hurry to find a sale for the produce he is obliged

to be led away by the crafty dealer on the spot and allows himself to be deceived and robbed by him. In these marketing centres all the dealers play the same game with the helpless agriculturist so that no one of the former is more considerate to the cultivator than the other. Co-operative loan and sale societies will remove all these evils and help the ryot in obtaining his full share in the sale-proceeds. If co-operative societies in the neighbourhood become members of the loan and sale society in the market centre even the carting may be co-operatively arranged. The ryot may obtain the advances required by him in his own village from his village society and he may deliver all his produce to his society which may pool all the produce of the village and arrange for the same being carted to the office of the loan and sale society where it may be stored up in the godowns and sold when the best price is offered. As the Loan and Sale Society is a co-operative organization, the profits will be directly or indirectly shared by the individual ryot in his turn through his village society according to the by-laws framed to the best advantage of the individual member of the village society. It is of course an ideal but it is an ideal which may be achieved sooner or later if only the co-operators concerned have the necessary determination of purpose and steadfastness of will in trying to attain it.

Merchants and mill-owners buy the produce either in the village or at the market centres. They advance money to the cultivator in several cases and when the produce is actually delivered, the balance, after all imaginable deductions are made, is paid to the cultivator. In a few cases the village dealer does the same thing. In other cases the cultivator takes the produce to the market centres and sells his produce there and returns to his village with such sale-proceeds as he succeeds in getting. The disadvantageous position of the ryot is explained above. There are several co-operative societies which advance money on the pledge of produce or otherwise, thus enabling the ryot to hold back the produce until he can sell the same to the best advantage. He need not hurriedly sell away the produce. The Imperial Bank is also advancing money to the big merchant or ryot on the pledge of produce. But a poor ryot is not similarly helped by the said bank. The co-operative societies are serving the poor as well as the rich ryot equally but there is considerable scope for the development of this branch of activity on the part of credit societies. The quantity of work done by the said societies would appear to be very small when it is compared with the work that has yet to be done. The necessary facilities for storing up the produce safely and for insuring the same in small villages are not readily available. If loan and sale unions are organized in market centres and the village societies become members of such unions, better facilities both for financing and marketing may be available.

There are money-lenders in villages who play some part with regard to financing of products. But the rate at which they lend or the conditions of repayment is very often disadvantageous to the agriculturist.

In the case of products of weavers, the local dealers in yarn and cloth finance them. But in this case also the system is attended with evils attending the part played by the middleman. Earnest attempts have been made by the co-operators, official and non-official, to eliminate the middleman by bringing into existence a number of weavers' societies. They have not sufficiently fulfilled the objects of such institutions.

3. The value of land in which paddy is cultivated or that of the coconut garden lands (e.g., those in the Razole and Amalapur taluks) ranges from Rs. 500 to Rs. 2,000 or Rs. 2,500. Rs. 1,000 to Rs. 1,500 is more common. In the case of dry crops the price ranges from Rs. 100 to Rs. 600 or even to Rs. 1,000. Rs. 300 to Rs. 500 is normal.

(a) Value of fertile land in Government auction for non-payment of revenue does not fall when there is a sufficient number of agriculturists in the locality. In deltaic tracts the number of cultivators available is large and there is little chance of the price falling. In dry areas where there is paucity of cultivators the chances of reduction in the price are greater.

(b) Even in the case of court decrees the same conditions prevail.

(c) In the case of private negotiations, as the bargaining is done more leisurely, the seller has greater chances of waiting for a favourable offer. Even then, if there is not much demand for land and the man who offers the land for sale is in pressing need of money, for some one reason or other, he is obliged to part with the property for a price which is below the normal. In all the three cases the price depends (i) on the fertility of the soil, (ii) the number of cultivators available and (iii) the facilities existing for taking the produce to the market. In unhealthy areas, wherein people feel it uncomfortable to live, even though the land is fertile, its price is not so high as in healthy tracts. If there is considerable difficulty to transport the produce, the cost of transport may be great and so the difference between the price of produce where it is harvested and that where it is sold is great and this accounts for the price of land being less than the price of land near a market centre though the fertility and yield are the same. Thus, when an unexplored country is opened by the construction of the fine roads and railway lines the price of land rises.

Land mortgage banks or agricultural banks.

4. There are two land mortgage banks in the East Godavari district. There are a number of co-operative credit societies in almost all large villages, which serve as agricultural banks in their own limited sphere of activity. Of course, there is immense need for development. All the agriculturists in a village have not joined the society in that village. Even those who have joined have not been fully financed. Some of them are still seeking the help of the local sowcar or are continuing to be indebted to him. The individual maximum borrowing power is so restricted in most of the societies that a number of the ryots are not able to get all that they require. Sufficiently long-term loans are not given by the societies which are not able to get sufficiently long-term credit. At present some of these village societies give loans repayable in 5 or 6 years. In several cases, though the loans are given only for 1 year, the short period is only so, nominally, as the member is practically allowed to continue to be indebted to the society year after year by means of direct book adjustments, or what are in effect really book adjustments. This probably reveals the fact that the ryot is not able to release himself of his indebtedness or even to reduce it. In such cases the repaying capacity may not be sufficient for one reason or other. This is a serious problem. If things go on in this way what purpose does it serve to have a co-operative society in the village concerned!

The most effective way to get over this difficulty appears to be (1) to find means and methods of augmenting the ryot's earning capacity and therefore of his repaying capacity and (2) to take steps to reduce his expenditure. The money wasted by the cultivator in the performance of religious and social ceremonies and in carrying on litigation with his brother agriculturist is enormous. Then the other way to make it possible for him to be able to repay his debt is to give long-term loans. The existing land mortgage banks are so few and far between that the work done in this direction is very small. There is need for the organization of such banks at least in every revenue firka. Perhaps two or more may be established even in one firka. But who is to manage them? The management of such banks requires considerable legal knowledge and skill. It demands the close attention of the directors. Considerable intensive investigation work has to be done before the loans are given and equally intensive supervision work after they are given. Collections have to be made quite promptly. The affairs of the members have to be constantly watched and they should be approached and pressed for repayment at the right moment. All the vigilance of the local money-lender must be exercised by the Directors of the land mortgage bank so that even a pie available may not be lost uncollected. These banks are now in their infancy but we can see ahead and almost correctly guess what their future will be and what precautions have to be taken to make them successful. Until sufficient human material is forthcoming, until the villagers themselves are trained to habits of punctuality in repayment, to habits of rigid thrift and economy, not only a good deal of propaganda and educative work but also close supervision work has to be done by a staff employed by the Government or by the central land mortgage bank or a union of primary land mortgage banks.

Method of work and of raising capital by the land mortgage banks.

A number of land-owners form into a society. They put in the necessary amount of share capital. The ratio of the amount of share capital which a member has to put in to the amount of loan is 1:10. Next, the amounts of loans they require and the particulars of lands to be mortgaged and other necessary details (e.g., repaying capacity, members in the family) with encumbrance certificates are furnished to the management. Loan applications are thoroughly scrutinized and the loans are sanctioned by the managing board. The indenture bonds are registered and delivered in the office of the board. A trust deed is executed by the bank in favour of the Registrar who is the trustee for the debenture holders. The Registrar grants permission to the bank to float debentures up to the required amount. Temporary deposits are received from persons or institutions that are prepared to buy debentures from the bank. The loans sanctioned are disbursed to the members concerned and debentures are issued.

No difficulty whatever is experienced in raising capital. On the other hand it is over-flowing. The rate of interest, viz., 7 per cent, is so high and the security is felt to be so sound that people who have money to spare are volunteering to buy debentures. The Pithapur Land Mortgage Bank is to a large extent financed by the Maharaja of Pithapuram. The Alampur Land Mortgage Bank sold its debentures among others to Doctor Swaminathan and the Madras Central Urban Bank and the Government. It has already disbursed loans amounting to a lakh and a half, while the loans disbursed by the other bank amount to nearly Rs. 50,000. There is every possibility of the working capital of these banks steadily increasing until it amounts to some lakhs. There is therefore every necessity for these banks and every possibility of working them successfully. Every revenue *firka* may have its own bank.

The individual maximum borrowing power is now only Rs. 2,000. It may be increased to Rs. 3,000 immediately and when these banks are found to be satisfactorily working the borrowing limit may be extended to Rs. 5,000. So long as the management is good, there will be no difficulty in getting funds for financing the banks. The Board of Management of new banks must be thoroughly trained before they begin to work. Practical hints for their working may be given to them. The few points of law that concern them may be explained to them.

There were certain practical questions relating to the working of these banks which may be taken up into consideration. (1) The member may repay his loan in advance but he has to pay three months' interest in advance because the bank has to pay three months' interest in advance to the debenture-holder if a debenture is recalled. But the collection of interest which is not due is felt to be a hardship by the members concerned. How to get over the difficulty? (2) Another question that faces the management is: "What is to be done with the money received from members by way of ordinary repayments?" While the amounts of the loans are repaid by members in annual instalments the debenture-holders will not like to receive back the money that they invested in buying debentures. If the money received from members under repayments of loans is again lent out for 20 years, it would not be fully available for repayment of the value of the original debentures concerned. It is suggested that the Madras Central Urban Bank itself may get long-term money by issuing 20-year debentures and the existing district central banks may, in their turn, get the said long-term money for being lent to individual land-owners through primary societies. The Madras Central Urban Bank commands the confidence of the public and there may not be any difficulty in that bank selling such debentures even if it offers interest at 6 per cent. Thus the existing banks themselves may give long-term (20-year) loans. In such cases the maximum borrowing power of individuals in societies may be enhanced gradually, i.e., year after year, so that greater and greater numbers of landholders in a village may obtain relief, the period of each loan being fixed according to circumstances.

Branches of district banks may be opened at convenient centres so that primary credit societies may find the financing institutions close at hand for purposes of obtaining loans as well as for repaying them.

(a) At present the Managing Boards of the land mortgage banks are required to exercise considerable caution in giving loans. They have to study the history of the title to property. There are cases in which it is found difficult to trace back the different owners of the property in the past far enough. At a certain stage the question how a particular person happened to get possession of a certain piece of land is not answerable satisfactorily. The fear that there may be some legal flaw somewhere in the chain of descent (transmission by inheritance) presents itself. Then the difficulty of minors is facing the management in several cases. There has been actually a case of a minor, after becoming a major, objecting to the sale of a certain piece of land by his father to a member of a land mortgage bank, who mortgaged the said piece of land to the bank. The civil courts decided that the sale was good as the purpose of sale was good. Had the purpose been decided to be bad, probably the sale would have been set aside and the loan given by the bank would have lost its security. It would be a boon to such banks if it is only possible to legislate that such mortgages by the banks are invulnerable, unless it is proved that the Board of Management accepted a piece of land though the fact of the unsound nature of the security is quite patent.

(b) There does not appear to be any great difficulty with regard to foreclosure and sale by any land mortgage bank. Execution of awards through the civil court is very unsatisfactory. Awards may be executed by the Revenue Officers also as if the amount is arrear of land revenue but the number of execution petitions that can be sent to the Revenue Department is restricted to 40 per year in a taluk. The movement has so far developed that it is found necessary to allow double or triple this number of petitions being sent up for execution in a taluk. There has been till now no occasion to foreclose any loan. If provision has to be made for future contingency the above suggestion may naturally be made.

(c) It may be made the duty of the village officers to furnish any necessary information to the Board of Management readily. The encumbrance certificates are now given free and the indenture bonds and the trust deeds are also registered free. If there be no restriction as regards submitting the number of execution petitions from the Board of Management of land mortgage banks to the Revenue Department for necessary action no further concessions or privileges may be necessary for them for the present. It may be desirable that three or four banks may employ a reliable legal practitioner to give his expert advice with regard to title to property, etc.

The present scheme of obtaining working capital by the sale of debentures is good enough. Prospective debenture-holders temporarily deposit money in the banks and when the orders of the Registrar to issue debentures are received they are sold to the depositors. The provincial bank is also now buying the debentures of the local land mortgage banks. The mortgage banks may be allowed to accept long-term deposits for 10, 15 or 20 years also if there are individual depositors or institutions willing to offer them.

The Board of Management and the debenture-holders will of course be quite gratified to have the guarantee if the Government be pleased to give it. But as far as I could judge from my present knowledge of the working of these banks, the guarantee may not be quite necessary. The banks are able to get offers to buy debentures without the least difficulty though there is no such guarantee given at present. Even if the rate of interest is reduced to 6 per cent, I believe, it would be possible for the banks to sell debentures so long as their management is good and they command the confidence of the public.

6 & 6-A. There are several rice-mills in the district. There is no systematic dairy farming industry. Men and women of the shepherd community bring milk, butter and curds from villages and sell them to people living in neighbouring towns. Even in large villages milk, curd, butter-milk and clarified butter (ghee) are sold. Large quantities of ghee are daily brought to the market at Rajahmundry in the morning and bought by the local merchants, who, in their turn, sell the article to customers throughout the day. There are petty-traders who go about the villages, collect ghee and pack the same in tins which are either sold in large towns or railed to cities like Madras.

Rough canvas is manufactured in villages like Mandapalli. It is used for cots and camp easy chairs.

* Palmyra jaggery is manufactured in some villages in the West Godavari district. It is sold in shandis at Kottapeta in the Razole taluk in the East Godavari district. It is cheaper than the sugarcane jaggery. It is supplied in large quantities to the sugar factory at Samalkota. Sugarcane jaggery is manufactured in several villages in the East Godavari district (e.g., Peddapuram and Thaposhwaram). It is seen railed in large quantities from Dwarapudi railway station.

Palmyra fibre is extracted round about Rajanagaram, a large village at a distance of 10 miles from Rajahmundry. Large quantities of it are brought down to Cocanada for foreign export.

Coconut coir is manufactured in small quantities in several villages in the district for local consumption.

* There is a large paper manufacturing factory at Rajahmundry.

Cotton spinning and weaving is done in several villages in both East and West Godavari districts, but the weaver, as such, is not quite prosperous. He is mostly poor though hard-working. Men and women, all work for several hours a day. Of course, there are a few rich members of the weaver community here and there because they are traders and gained profit and made small fortunes thereby.

Fruit trade is carried on in large quantities in several market centres such as Rajahmundry, Pithapuram and Tuni. There are extensive gardens of battavia and mango trees in the district. From the East Godavari district they are exported to distant places like Hyderabad and Calcutta. There are several fishermen hamlets along the sea coast north of Cocanada. Large quantities of fish are caught and some taken to towns like Rajahmundry by motor buses and sold in the markets but a considerable quantity of fish is salted and preserved and exported to distant towns in the country. Dry fish is sold in shandis in villages. Some of the fishermen are rich. But their hamlets are rather unclean and insanitary. Most of them, if not all, drink toddy and are poorly clad.

There are small silk factories at Peddapuram and Rajahmundry. Silk yarn is imported and woven into cloth. The yarn is also coloured at Peddapuram before it is woven. In a few villages in the district (e.g., Gollapalem in the Cocanada taluk) cloth is coloured. Considerable skill is exhibited in the art.

There are shoe-makers in almost all the villages. Boots and shoes of the European pattern are manufactured in towns. But the shoe-makers are all poor. Their habitations are mostly huts or small hovels. Their clothes are dirty. Several of them are drunkards.

Mats, baskets and umbrellas are made of the palmyra leaves. Mats are made of date-tree leaves also. Small boxes and tattis are made of bamboos. There is a regular community of bamboo tatti and basket manufacturers called *Medavars* in every town.

There are several carpenters, smiths, silver-smiths and gold-smiths almost in every village and town.

The manufacture and trade in aluminium vessels is carried on at Rajahmundry. Cattle are sold in shandis on an appreciably large scale at Tuni, Pithapuram and Draksharama.

The once famous carpet-making industry of Ellore has been declining for some years past but it is still there. Rough woollen blankets are also woven on a small scale in the country.

A few families earn their bread by brass and copper and gun-metal vessel manufacture in places like Tuni, Pithapuram and Rajahmundry.

Potters may be seen carrying on their profession in most of the villages but they are very few in number and the pottery is not of a refined quality. They just meet the local demand.

Flat tiles (like those called Mangalore tiles) are now being manufactured at Samarlakota.

There are masons living in all the large villages and towns.

Iron and steel-boxes (trunks and suit cases) are now manufactured at Rajahmundry as in Madras. They are also nicely painted.

There are several other professions in the country carried on on a small scale.

With all the abovesaid non-agricultural professions and trades the people in general are still poor. There is a large scope for the educated or better-informed in the country to create or encourage cottage industries on a large scale in villages for engaging the poor agricultural labourer in the off-seasons and supplementing his family income. Co-operative industrial societies may be formed but there should be the necessary number of honorary workers to guide the members of the societies and help them in making their trade a success. Societies fail for want of honest and earnest souls to guide the small artisan and to finance him and arrange the marketing of the finished goods.

The weaver must grow sober. Weaver societies may be established and unions of such societies may be formed and a central organization, which may be a federation of the unions, may be established at Madras to give instructions to societies through unions as regards the kind of cloth that may be woven. The necessary kinds of yarn may be bought wholesale and supplied to societies through unions. Societies of fishermen, fruit-sellers and small artisans, may be formed and central societies in places like Madras may be organized for the regular profitable sale of the produce. The middle-man or the capitalist, who is making a profit, may be thus eliminated. There is scope for the development of the art of growing vegetables in Rajahmundry and Peddapuram taluks as in Bangalore.

The particular art or profession (industry or trade) in which a farmer may engage himself when he has any time to spare, can be determined only by a close study of local conditions and natural resources. There is considerable scope for the development of coir industry, for the manufacture of brushes and for the spinning of yarn if suitable small machinery can be supplied such as can be handled by a man or woman in a cottage. The art of canvas weaving may be still further developed. The tape manufacture done in Rajahmundry by women mostly may be encouraged. The manufacture of banians is done in places like Vizianagram. But it is doubtful whether the poor agriculturist can buy the necessary machinery. The art of making toys may be improved and even the farmer and the members of his family may be trained in the art. At Kondapalli in the Kistna district and Nakkapalli in the Vizagapatam district the art is found to exist. How far it may be learned by the agriculturist and his family members may be studied. Beautiful Indian toys may find a market in the foreign countries.

Cotton carpets are also manufactured but they become dirty soon. Ropes are also manufactured of aloë fibre as well as hemp and coconut fibre. Scissors and iron chests and locks are also manufactured. Pestles and mortars of different sizes are cut in stone at Rajahmundry and its neighbourhood. Bandies are made in Ambajipet near Amalapur. Charcoal is prepared in villages near Rajahmundry. *Kavidies* of such charcoal are brought down to Rajahmundry from upland villages.

Societies for encouraging these cottage industries may be organized in villages. It is best that funds should be supplied by local capitalists. The district banks and the provincial co-operative bank may also finance these concerns under the necessary restrictions or conditions. The Government may help the industries with some subsidy. The scheme of taking shares as in the case of joint-stock banks may be introduced, but the shareholders must come in more with a philanthropic spirit than with a desire to get a large percentage of profits or dividends. There should be right-minded persons willing to spend their time and energy in managing the affairs of the said societies properly and in arranging a market for the products.

Schools of arts must be established at convenient centres so that children of the farmer may learn useful arts in which they may engage themselves in after-life when they can spare any time after attending to the tilling of the soil and the sowing of the seed or after harvesting the crop.

7. The co-operative central banks are allowed cash-credit by the Imperial Bank of India. This accommodation helps the said banks in the matter of maintaining fluid resources required by rules. The surplus funds of the

co-operative banks are kept in deposit with the Imperial Bank of India. The joint-stock banks and the indigenous banks do not appear to have anything to do with the co-operative banks.

There has been no difficulty found in obtaining short-term finance for the co-operative societies. Loans may be given without difficulty up to 5 or 6 years. But further long-term money is not now obtained by the banks. The scheme of the banks issuing 20 years debentures may be considered. If this is allowed to be done at least by the Provincial bank (the Madras Central Urban Bank), the difficulty of supplying long-term loans to agriculturists may be solved. I believe if 6 per cent interest is offered, money will flow in to any amount required. If this scheme proves successful, there need be no separate land mortgage banks. There must however be provision made for necessary scrutiny of the security offered, of intensive supervision of members and of timely collection of dues. Steps must be taken to avoid all default. To ensure this, the repaying capacity of the borrower must also be carefully studied. Resolutions sanctioning loans must not be hurriedly passed by the management. "Slow but sure" is a very important maxim to be observed in the case of disbursing such 20-year long-term loans.

Roughly estimating the outstanding indebtedness of the ryot it may probably be taken to be one lakh per village on an average. This district (East Godavari) may perhaps require, to completely repay the old debts of all agriculturists, approximately 600 lakhs. This is of course a mere surmise, but I am inclined to believe that it gives a rough idea of the scope of work that is before the credit branch of the co-operative movement. Several of the persons involved in debts may be beyond possibility of relief being afforded according to the system of working of the co-operative movement. Probably one-half of them at least may be relieved of their outside indebtedness. Thus this one district may require, I surmise, at least 300 lakhs, i.e., about 60 times the present working capital of the banks.

I see no competition existing between co-operative banks and joint-stock banks in the East and West Godavari districts.

It would be for the furtherance of the movement if it is granted exemption from income-tax. Reduction of money order commission and insurance charges may be allowed with regard to the remittances by the co-operative societies.

II.—Indigenous banking.

1. *Functions.*—The indigenous banks finance agriculture and trade. The Marwari lends on the mortgage of petty ornaments and even of cloth. Some of them of course give loans on the mortgage of immovable property. Their aim is not to acquire property. They want to make money. Their native country is the Bombay Presidency and Gujarat. They like to grow rich as quickly as possible. Their conditions of repayment are such as to oblige the borrower to pay down as much interest as possible. They do not wish to know whether the object of the loan is productive or unproductive. They lend even if the loan may prove positively injurious to the borrower.

The village merchant also lends money to the agriculturist. He is also a petty trader. His rates are high as he often requires the produce to be sold to him at a rate fixed to be less than what he expects to be the market rate at the time of harvesting or subsequently. His aim is to be profited by being able to get the produce into his hands to be sold by him when the price of the same is high.

There are also money-lenders in villages who aim at acquiring the property mortgaged. Their rate of interest is high. They do not mind the repayment of the loan. If possible they avoid it so that the loan may multiply itself and within a few years become so far increased that the creditor may take the property in lieu of the dues.

Money-lenders in towns finance trade also. Their conditions of lending are more favourable than that of the Marwari who lends on the security of property mortgaged. The loans are only short-term loans, repayable within a few months.

6. *Rates of interest that the agriculturist pays.*—To the village sowcar the agriculturist pays interest at the rate of 9 per cent to 18 per cent. In

the case of forward contracts under which the agriculturist has to sell his produce to the money-lender at a certain fixed price which is very often considerably less than the prevailing market price the rate of interest may amount to even 36 per cent or more. The rates could be brought down if the co-operative societies work efficiently admitting the agriculturists in large numbers and giving them loans satisfactorily so that they may not be obliged to seek the sowcar also in addition to the financial help received by the society.

Reduction of the rate of interest and favourable terms of borrowing will certainly be conducive to the well-being of the ryot in general. But how far the said reduction will induce the ryot to buy better agricultural implements and spend more on agricultural improvements cannot be stated with certainty. He may spend more on non-productive purposes such as social or religious ceremonies or on providing more costly jewellery to the women of the family or on litigation. How far he will be wise to find means and methods of bettering his financial condition, one cannot be sure of. The richer the ryot, if he is unwise, the greater is the debt he incurs and the greater the chance of his being reckless spending more and more on litigation and in giving vent to petty jealousies and party spirit if one already exists. His heart must be reformed. His habits and customs must also change.

8. *How to make indigenous bankers more serviceable to the community.*—The selfish money-lender will not give up his ways unless he is compelled to do so. The legislature must come to the rescue of the ryot or the co-operative movement should so far develop that the money-lender may find himself neglected or despised unless he reforms himself. If he finds that his money would be idle unless he deposits the same in co-operative societies or lends it out to the ryot on equally favourable conditions, he will necessarily change his ways of money-lending.

Improvement of the indigenous banking system.—The several banks, co-operative and otherwise, may be connected with each other in such a way that the surplus funds in one may, without difficulty, flow on into the other when needed. Co-operative credit institutions should be organized in every village and town under the special management of the local people and the general management of the taluk or the district central organization so that the man in the village or town, who has any money with him to spare, may put the same in the credit institution close at hand without hesitation, being sure that it is safe and used in the most economical manner, in whichever institution it may be invested and whatever the local needs or conditions may be. Wherever the drops of rain fall, in the forest or on the hill and dale, they all flow into the river, which, in its turn, supplies water through a net-work of channels to the tiny plant at a distance that requires nourishment. Nature again carries the water up above the same hill and dale from the sea and from the marshy land to send it on again to the field down below in a petty village. Facilities should be created for the ready flow of funds up and down all through the country so that there may be no hoarding, no surplus anywhere, and no want of funds for any economic undertaking or industry, wherever it may be instituted. This is not a utopian scheme. If all credit agencies come to a common understanding, with one eye, with one angle of vision, entirely directed to the general well-being of humanity, in this or any other country, the scheme is bound to succeed.

Facilities to be given to the indigenous banker.—Facilities for ready investment in reliable institutions close at hand and for economic utilization of funds so accumulated should be afforded to the indigenous banker. Of course, the indigenous banker may like to continue to have his own way of carrying on his profession. If he is made to understand things rightly, he will welcome measures intended to regulate his operations and for giving publicity to the same. His education on right lines is needed to make him a more useful citizen or member of the populace.

9. *Net return to the indigenous banker after making allowance for legal expenses, etc.*—The local village money-lender and the Marwari in the town take the necessary precautions to avoid losses and to make their funds secure. I believe their net return is encouraging to them in carrying on their trade. The rate of profit on their investment may not be less than 12 per cent,

Meeting demands.—I believe the individual banker meets most of the demands, the refusal being only an exception. He is in close touch with the borrower and is able to realize his funds by employing personal pressure. Even in cases in which he is obliged to seek the help of a law court, he generally succeeds. He loses when the borrower declares himself an insolvent. But such cases, though present, are rare. He is too crafty or clever in his trade to lose much. In exceptional cases, if he loses, he makes up for the loss by his knack in managing his business in other cases. Indigenous joint stock banks are very few in the country and I believe they are not so successful as the Imperial Bank. They require facilities for attracting funds and if they be connected with the Imperial Bank, as the co-operative district central banks are connected with the Madras Central Urban Bank, they may prove considerably more useful than they are at present.

11. *Method of linking the indigenous banking system with the central money market.*—The co-operative district banks are connected on one side with the Imperial Bank and on the other side with the Madras Central Urban Bank and the Madras Central Urban Bank is itself connected with the Imperial Bank. The link of the indigenous banking system with the central money market may be formed somewhat after the same model. The relation of the indigenous banks with the Imperial Bank may be made less rigid or restricted so that inflow and outflow of funds from the one to the other and *vice versa* may be more free and serviceable to the agriculturist as well as the tradesman and the artisan.

Method of inspiring confidence.—The smaller district organization may, with advantage, bear the relationship of a branch with the central organization, so that the same may be closer and less formal or rigid. The local branch may have a local directorate, which may be represented in the directorate of the central institution. The country should be studded with branches of one banking organization and the local individual banker and bank should merge with such organization, all occasion to be selfish being eschewed, the nature of the constitution and the system of working being such as to make every such individual or institution to feel that he or it is a limb of a body with one end to fulfil and one goal to reach, viz., the well-being of the country and its people.

Competition to be avoided.—When the indigenous banker becomes a part of the system, there can be no possibility of competition.

12. *Idle capital.*—There happens to be some idle capital remaining with the indigenous bankers. As stated above, even the Madras Central Urban Bank has several lakhs of surplus funds gathering and remaining unproductive for appreciable periods. There is possibility for such funds being employed usefully only if the contemplated links are created and trades and industries are developed in the village and in the town, and bounties of nature are made available by the scientist and the capitalist and the labourer heartily co-operating with each other to achieve the one end in view, viz., the common prosperity of the country, like the fire and the water, the piston and the wheel in a steam engine.

III.—Investment habit and attraction of capital.

1. *Existing banking resources in the province and additional capital required.*—These questions have already been answered. The country requires several crores for the relief of the indebtedness of the active agriculturist and the absentee landlord, big and small. There are several crores of idle money also in the country in the shape of gold and precious stones. Nature is bounteous. There is incalculable latent wealth in the bounteous forest. What possibility of development of cottage industries there is in the wonderful palmyra trees existing in uncountable numbers in the country, passes one's imagination. The unexplored mine and the several water-falls, small or large, in the country appeal to the scientist and the capitalist to co-operate and to make use of them to add to the wealth of the country by providing useful employment to the several millions of half idle men in the country. Indigenous industrial development is bound to create opportunity for the economic utilization of idle capital or unproductive gold and to induce the people to cultivate the investment habit. Profitable concerns close at hand are bound to attract local capital. With a network of small and large branch banks affording facilities for the

intensive development of industries, the man in the street and the agriculturist in the field are sure to be induced to save and to invest. For a scheme of such economic development of the country to succeed in all its aspects, it is necessary that a sound healthy character, a pure spirit of patriotism, should develop also. Petty local jealousies and party spirit should sink into oblivion. The villager and the citizen should be active not in the law court but in the field and in the small factory. Communal differences must be forgotten and forgiven, once for all, never to be expressed or felt. Members of different castes and creeds should co-operate like the head and the heart of a physiological body. I lay emphasis on these pious wishes as I always felt that they are really the *sine qua non* of success of the banking scheme contemplated, as of any other scheme, with a similar laudable object in view. The pertinent question whether the co-operative movement was a success was often put. As I ventured to say on another occasion, I beg leave to reiterate that it has been successful wherever men of character, disinterestedly working, have been devoting their time and energy to the cause. Every type of society at Vizianagram in the Vizagapatam district, is successful as there is one earnest soul existing in the town, who is wedded to the cause. The stores society, the labour union and the khaddar society and the urban bank at Vizianagram are models of success because there is Mr. Ch. Subba Rao and his brother co-operators working devoutly with intense love for the cause. The land mortgage bank and the village reconstruction schemes are successful at Alamur (East Godavari) because of another earnest soul (Mr. N. Satyanarayana). Without men of character nothing can succeed. I feel that it is the very foundation on which any edifice of economic institution can be built. If the foundation is sound, the edifice is bound to stand. If it is weak, the whole construction, however well-planned and built up, is bound to come down sooner or later. I feel strongly on the point. My experience of 20 years in the co-operative movement, in different offices, teaches me the truth and I venture to lay all emphasis on it. Mr. H. M. Hood, with all devotion to the cause, with unexampled indefatigable energy, with a determination of purpose and steadfastness of will found in few, has paved the way for the success of the movement, for its health and longevity, in all possible ways. But if the member of the primary co-operative society in the distant village is wanting in the necessary character, and if the union supervisor and the governing body member in an area is negligent, the schemes contemplated by the gentleman cannot attain the success aimed at there. Success of banks depends upon the success of trades, industries and institutions of economic activity. If these fail, the financing agencies must fail also. While it is important to formulate a scheme of efficient banking, it is also necessary that simultaneously practical measures for the ingrainings of business honesty, truthfulness and a keen sense of duty in the hearts of people concerned must be schemed and enforced with equal earnestness.

Facilities for the investment of savings by the public.—It must be said that very few people understand what it is to invest in a bank or a co-operative society. The educated and the cultured are comparatively small in number. The masses are yet in darkness of ignorance of the principles of economy in vogue in the civilized world. I may be pardoned for making the statement that not only are facilities for education wanting but there are also elements in villages misleading or misdirecting the ignorant and the illiterate. While facilities are created for the planting and nurturing of institutions inducing people to save and invest, attempts must be made to remove the noxious germs also. Co-operative societies must be organized in every village, big and small, and the people should be taught of the value of investment therein. These societies must prove efficient financing agencies giving necessary opportunity for all the inhabitants of the village to make use of the institution in their midst, not only for borrowing but also for depositing their savings, small or large. If they are successful, the local money-lender, the rich and the poor ryot and the labourer and the artisan will be induced to put in his money in the institution close at hand. Cheque books printed in the vernacular, in the proper form, may be issued to the villagers by the societies. As soon as a ryot sells his produce, his first thought should be to put his money in the village bank, as a matter of course, and not in his private chest. The habit of investment should be cultivated by him. Considerable propaganda is necessary to achieve this result. The village society must deserve the confidence of the people, who must be as sure of the safety of funds invested in such

institutions as the rise of the sun in the east. They must feel that the institution is their own, existing in their midst to serve their cause. This knowledge or feeling is wanting in the majority of the ignorant villagers. They believe that the village society is a private institution of the all-powerful or prominent president or the secretary. Even several of the panchayat members do not feel that they are as much responsible for the successful administration of their society as the president or secretary. Facilities should be created for the immediate investment of surplus funds by village societies in the co-operative district banks. Branches of such banks should be opened at convenient centres at the rate of, at least, one at the headquarters of each taluk and the Government may be pleased to afford facilities for the free remittance of funds from the village society to the said taluk branch of the district co-operative bank. The village officers must be made to feel that it is one of their essential duties to help the society in the village. If the scheme of the revenue collections being made in a lump sum through the village society is put into force the village officer and the village society may be brought closer together in the discharge of their respective functions.

Habit of investing in silver and gold.—The women in the Hindu family invest their small savings in silver or golden ornaments worn on their person. The father of the bride is required to give his daughter a present of jewellery worth hundreds and even thousands. The bridegroom receives dowry in cash, which is in most cases spent away on marriage festivities, while an equally large amount is received by the bride in the shape of ornaments both before, on and after the marriage occasion. This is done now as a matter of course. It appears to be a herculean task to make the people change these customs. The poor father pours down at the feet of the bridegroom, with several bitter tears, I believe, all that he has taken years to save by dint of strict economy. The bridegroom's party having got the money so easily do not care to make a profitable investment of the same. These and several rumourous customs must be checked with a strong hand. Probably only legislation (like the Sarada Bill) can set these people right. Otherwise, they will take centuries to reform themselves even on the most plain and rational lines.

2. *Postal cash certificates.*—Several people have not probably heard of these cash certificates or have forgotten them. They are bound to be popular if the people are made to understand the advantage of investing their savings in buying them. I believe it is necessary to advertise them in the village and in the town and the villager should be able to buy them in the village also. Six per cent is a sufficiently attractive rate of interest. They would be made more popular if there be greater facilities for turning them into cash whenever required by the investor. The village officers may be permitted to sell the cash certificates or to give cash in exchange. They are entrusted with the work of collecting several thousands of the revenue. I believe they may be safely trusted with this work also.

Savings banks do not afford all possible facilities to the public. They will surely be more popular if they allow to investors the facilities of current accounts in banks. The restrictions, both as regards the intervals and amounts of investment and withdrawal, cause some discouragement. Even if the staff of postal clerks has to be increased, I believe it may be well to afford greater facilities in dealing with the savings banks.

Only the educated and the literate classes of the population resort to such form of investment. Probably several villagers do not know that the Government has so kindly afforded the facility for investment and several village post offices are not allowed to open savings bank accounts. The Government may be pleased to permit the opening of a larger number of savings banks with greater freedom to invest or withdraw money. The village branch postmaster may be asked to give personal or property security if necessary.

If postal savings banks are opened in villages where they do not exist now, and if their existence is advertised by beat of tom-tom at stated intervals and the village officers explain to villagers the advantage of investing their savings in the said banks, I believe they will grow more and more popular. Advertisement is necessary in this matter, as well as in others, to remind people of the existence of the opportunity afforded for a safe investment of their small savings.

Vernacular scripts in banking.—It would be advantageous to use vernacular scripts in banking. The cheques should be printed in the vernacular also.

5. *Slow growth of banking and investment habit.*—I support the view that the banking and investment habit in India is of slow growth. The main cause appears to be the want of banking facilities in the country for centuries. The mass of the population is in villages and it is necessary that the facilities should be found in the villages near at hand. The agriculturist who sells his produce is tempted to spend the sale-proceeds away for unproductive purposes. The religious and social functions that he has to attend to are responsible for a considerable portion of the expenditure. The more money he has on hand the greater is the temptation to spend money. If the sale-proceeds are immediately invested in a bank the risk of spending the same would be less.

Educating the people to save and invest.—The village schoolmaster should be required to teach the boys the wisdom of saving and investing money in banks or co-operative societies. The village officers should be required to explain to the people how advantageous it is that the cultivator should deposit in a bank all his savings, nay, all that he realizes by the sale of his produce and that the village labourer and the artisan should invest all his small savings in the postal savings bank or the co-operative society in the village concerned or in a neighbouring village.

Opening of new branches by the Imperial Bank of India.—I believe that the opening of new branches by the Imperial Bank of India has afforded greater facilities for borrowing by the agriculturist as well as by the merchant and thus helped the former to hold up the produce until he could secure favourable prices and the latter to develop his business and become more prosperous.

**Written evidence of M.Ry. M. GIRIAPPA Avargal, B.A.,
Deputy Registrar of Co-operative Societies, Calicut.**

I.—Agricultural credit and credit facilities for small industries.

1. The agriculturist requires money mostly for cultivation expenses and for this purpose he looks either to the co-operative society if one exists in his village or to the money-lenders in the village. For capital expenditure and permanent improvements to lands, the landholders do not generally borrow from the villagers. A fairly big landholder is able to effect permanent improvements on his land with the aid of his savings from agricultural income, otherwise he looks up to Government for help under the Land Improvement Loans Act. But I understand that applications to Government for loans under the Agriculturists Loans Act and the Land Improvement Loans Act are steadily on the decline as the ryots get only about half the amount they apply for, the balance leaking through the various channels. Moreover when co-operative societies play such an important part in the agricultural interests of the country, I do not think it necessary that Government should advance money directly to the agriculturist under the Land Improvement Loans Act and the Agriculturists Loans Act. There need be no conflict in the matter. As I have already said above, ryots do not fully avail of the provisions of the Acts for the agricultural finance, because they do not get the full amount, but, on the other hand, it dwindles to a small sum as it has to pass through so many channels before it reaches the man who actually wants it. In the case of failure of monsoon, Government and in a few cases the co-operative societies generally come to his rescue and help him also for the payment of his kist. The rate of interest charged on the loans on personal security varies from 12 to 24 per cent, while interest on loans on the security of landed property varies from 8 to 12 per cent, standing crops being rarely accepted as security. The loans on personal security are generally made repayable from one to three years, while those on immovable property are repayable within 12 years. But I should like to point out in this connection that the old professional class of money-lenders no longer exist or exist only in a very few villages. It is the richer class of agriculturists that have taken their place and grab the land from the poor by tempting them with loans.

Government finances ryots under the Agriculturists Loans Act and the Land Improvement Loans Act, while the Imperial Bank does not advance money direct to these agriculturists but only through the middleman. Even the joint-stock banks rarely deal with the ryots but situated as they are in the urban areas they have more to do with the traders than with the ryots. The Imperial Bank of India advances money at rates varying from 4 to 9 per cent to their middlemen. Some of the Labbais and merchants from Karachi enjoy large overdrafts from the Imperial Bank. This amount is advanced by them to their agents who in turn go out into the villages and advance money to the ryots at rates varying from 18 to 36 per cent. It may happen, therefore, that Government balances are utilized by the Imperial Bank only to ruin the ryots.

If agriculture is to pay and the ryot to thrive, money must be made available to him at a very low rate of interest and a co-operative society is the organization most competent to discharge this function in a village. But what happens is, money is not made available to him even when he wants it. A lot of delay is reported in the matter of disposal of loan applications by members of the panchayat. In the first place, it is very difficult to secure as panchayat members men with genuine desire to work for the ryots. The panchayat members mostly look to their own profit. With an indifferent panchayat, panchayat meetings are delayed. Members of the panchayat, unless they are interested in the disposal of particular loan applications, do not care to attend the meetings of the panchayat with the result that loan applications are delayed. Again there is also delay in getting money from the central bank. If a ryot is to go to a co-operative society for money for his agricultural and domestic requirements, money must be made available to him without any delay. The ryot goes to a money-lender because he gives him money without any delay. If co-operative societies are to be popular and advance the cause of agriculture, they should make money easily and readily available to the ryot. In that

case, I am sure all the ryots in a village will join a co-operative society and more applications would come in for village co-operative societies. As it is, applications for societies are rare and members in co-operative societies are few. To meet the agricultural needs of the ryots promptly, I would suggest that the societies should be trained to forecast the requirements of members for a certain season or for a whole year and get the amount sanctioned by the bank and all the formalities completed. When the Secretary of the society applies, the money should be remitted at once. The delay in remittance could be avoided by recognizing some sound joint-stock banks, the Nedungadi Bank for example in Malabar and the Canara Banking Corporation in South Kanara, as transmitting agencies. These banks may be trusted with small amounts required by co-operative societies urgently. Every good society may also be given a cash credit by the central bank subject to the limit of its paid-up share capital and reserve fund so that every deserving member of the society may be given cash credit, to be drawn upon to meet his urgent domestic requirements, subject to a certain amount which should be fixed from year to year on the security of bonds executed by the members and attested by another member.

The only part the Imperial Bank plays in agricultural finance is in granting to central banks cash credit for small sums which are backed up by the pro-notes of co-operative societies. The Imperial Bank now wants to back out of this small duty it has been discharging to agriculture. I have no doubt Government will come forward and grant cash credits to central banks direct. But I strongly feel that Government, rather than allow the Imperial Bank to use its balances to enrich rich bankers and traders, will do well to divert its funds to the co-operative movement and advance money direct to loan and sale societies and industrial societies liberally to enable them to build godowns and purchase machinery so that agricultural produce may be handled and marketed to the best advantage.

At present there is no co-ordination between the various financing agencies. The Imperial Bank on the one hand advances money to the merchants on the pledge of goods or other sound securities while the joint-stock banks lend money on security of jewels and goods also. Both are out only for profit. But the institution which deals directly with ryots is the co-operative society and this is the best agency to finance agriculture. The ryots have no doubt to thank the Government for the facilities afforded to them by the Co-operative Societies Act. But if more could be done by the Government by way of finance, so much the better for agriculture and the prosperity of the country.

2. Under the present system of marketing, the ryot stands mostly to lose and the trader mostly to gain. As it is, the ryot borrows money either from a co-operative society if one exists in the village or from the money-lenders. If he borrows from a co-operative society and thereby is able to get cheap money, manage his cultivation at less cost, he is in no way better because he does not know where the market for his produce is and neither is the society able to help him in this work. The society will demand its dues at the proper time and the ryot anxious to discharge his dues in time will dispose of it in the village for whatever he can get. He may not be able to pay his dues in full. He will have again to borrow. If he borrows from the village money-lender he has to sell his produce to him for whatever price he demands, for such generally will be his stipulation. Thus either way he is not benefited. Unless the society is able to show a good market for his produce to enable him to sell the produce to the best advantage, there is no use of providing cheap money for him. The societies have not taken up seriously the question of marketing. Unless credit is associated with marketing also, there is no salvation for the ryot. The co-operators have not taken up this matter because it would take more of their time. The societies will not be able to pay for their labours in the initial stages. Marketing has to be done on a large scale so that it may be possible to employ experts. Societies should therefore combine and build godowns with the aid of Government money so that the produce of the members of the co-operative societies can safely be deposited and held up for better prices. In that case the societies have a chance of recovering the dues from the members because the produce is in their custody. At each district headquarters, there should also be a central godown for depositing the produce of the members of co-operative societies in the district. Central banks can advance money to co-operative societies on the pledge of produce as they can check the stock conveniently. Here we have to employ an expert in the line. We have to pay him well. His business will be to tour throughout the district and pool the produce of the ryots and arrange to market it to the best

advantage. From district to district if central sale societies are started and godowns constructed, the produce of one district can be marketed through the central sale societies in other districts where there is a demand for it. As it is, we find merchants or money-lenders pool the produce of those who are available to them and get themselves into touch with the traders in towns and arrange to transport it whenever the price is favourable. The ryot on the other hand has neither the finance nor the facility to transport to towns. The merchant in the towns with the facility he could command accommodates himself with advances from the Imperial Bank or the Nedungadi Bank and exports it to other places when the prices are favourable. It will thus appear that the ryot, the actual cultivator at the bottom, is not benefited by the prices and therefore lives only from hand to mouth while the merchant in the town is able to live a life of luxury because he is able to market the produce to the best advantage.

Government assistance is necessary only to enable the co-operative societies to build godowns wherever necessary and I do not think Government assistance may be necessary for marketing the produce.

The system of forming pools is good in a way if the producers can combine with advantage to themselves and with no dishonest motives, but a scheme of co-operative effort would be better than a system of pools because in the latter case the ryots can take advances on security of produce and thus be enabled to hold on for some time. What a ryot wants is not merely the holding up of produce but timely advances to enable him to tide over his domestic or other needs. Goods are exported to foreign countries through local merchants and European firms and their value is recovered through exchange banks. The Imperial Bank provides some facilities for internal trade through joint-stock banks. But these banks levy higher rates of interest on their constituents. It is, therefore, suggested that more branches of the Imperial Bank may be opened in each district so as to provide credit facilities to traders and producers. But I understand no branch of the Imperial Bank will be opened in a place unless it is self-supporting at the start itself. In a big trading place like Palghat there is no branch of the Imperial Bank and on enquiry I have ascertained that a branch may not be self-supporting there. This should not be the main view point. One branch may be roaring with profits in one place, but it may not be so in another. The object of the Imperial Bank should be to foster trade and advance money to producers also on the pledge of produce. In all urban areas and in some well-developed rural areas also, there should be branches of the Imperial Bank. But no branch of the Imperial Bank need be forced in a place where there is a well-conducted joint-stock bank. But if it is found that a greedy bank is charging a higher rate of interest, the Imperial Bank might step in. The influence of the Imperial Bank should be such as to compel the joint-stock banks to bring down their ruinous rate of interest. They should not conflict with joint-stock banks or the loan and sale societies. While the latter advance small sums to the petty traders and producers, the former should confine itself to big sums by mutual agreement. The Imperial Bank might help them with small overdrafts when required. Besides being a balancing centre, the Imperial Bank might bring about a healthy influence on those institutions so that they may encourage trade and agriculture.

Internal remittances are usually done through the Post office for want of branches of the Imperial Bank and joint-stock banks in rural areas. Co-operative societies remit money through R.T.R. free of charge. I should think it would be better if treasury remittance facility is thrown open to the public as that would foster trade in rural parts. A small percentage may be charged on drafts which would cover the additional expense on a small establishment. The co-operative central banks should also discount bills and hundis like other banks. When every central bank in the Presidency does this business, the discounting work will be easier. Where there are no branches of the Imperial Bank or joint-stock banks, collection work may be done through treasuries. No more need central banks sit with folded hands confining themselves only to lending money to co-operative societies. They should be banks in every sense of the word. Money is also remitted through hundis. These are of two kinds—(1) payable at sight and (2) deferred payment. The period generally does not exceed 90 days and the rate of interest is 12 per cent. The hundis are more or less like cheques payable to order or bearer or the person in whose favour it is drawn. The hundis are generally discounted locally. Hundis are sometimes discounted a number of times by endorsements at the back before the due date of collection, the endorser being ultimately liable to the holder for payment.

Railway receipts are used in this district for raising money. But it is not much. The risk notes impose a large number of conditions, while the railway accepts no responsibility for risk. The traders are not, therefore, able to raise enough money. But if the railway agrees to reimburse the loss, if any, in transport—of course checking the stock carefully when they are received for transport—railway receipts will be more popular in internal trade and inter-district trade.

The system of licensed warehouses may be good in a way. They might ensure safe custody and on production of warehouse receipts, the trader might receive a substantial advance on the produce deposited within. But the only objection is that it may not find favour with the producers, because it is not theirs. The ideal method is for the producers themselves to combine and to construct warehouses at their own cost or with the aid of Government or central bank money.

3. *Value of land.*—The value of land per acre for paddy fields in Malabar will be from Rs. 800 to Rs. 1,200 for jenmam lands. The value depends largely on the fertility of the soil, irrigation facilities and yield. The value of lands for coconut gardens varies from Rs. 1,000 to Rs. 1,500 and in some cases more than this rate. Near the seashores and banks of the backwaters, the price will vary from Rs. 2,000 to Rs. 3,000 as the yield per tree will be much more. The value for arecanut gardens ranges from Rs. 800 to Rs. 1,000. The yield depends on the facility for the irrigation of the land. If a garden is not watered in one year, the whole plantation will lose in value as the trees will not yield much. In areas where watering is not necessary, the yield is much lower and hence the price is also considerably lower. The value of dry land is from Rs. 10 to Rs. 30 per acre. The important factors affecting the value are proximity of the land to road, railway and water; the fertility of the soil and the general health of the locality also contribute to the value.

(a) The sale of land for arrears of kist is not very common except perhaps in Wynad taluk where land fetches a very low value in revenue sales.

(b) In the event of auction by court decree the value may sometimes be high. Much would depend on the encumbrances on the property. In cases where there are more than one creditor, the value of auction sale will be higher. But the value of sale by court decree would generally be lower than the real market value.

(c) Any reasonable value according to the yield and other conditions will be offered which will generally be higher than the value fetched under (a) and (b). The value increases generally according to the requirements of the purchaser. If it is only for safe investment of his moneys, a moneyed man cannot generally expect to get more than 4 per cent for his investment on lands.

4. As a large majority of people both in Malabar and in South Kanara are governed by Marumakkattayam law of inheritance, they have no lands to pledge. Particularly in Malabar the lands are owned by a few Nambudris. A few of them are also indebted to some extent but there will be no difficulty to raise loans because the indigenous banks and bankers are ready to advance money at rates varying from 8 to 10 per cent. The ordinary land mortgage banks will not be able to help them because these banks cannot give the amount required by them. They require sums varying from five to fifteen thousand. In fact, a suggestion was made to me by Rao Bahadur M. C. Krishna Varma Rajah, one of the earliest co-operators of the district, to start a land mortgage bank in the district with power to lend Rs. 10,000. I told him that there may not be any objection to register a bank of this sort but Government may not come with financial help for such a bank. Then he dropped the matter. It is therefore clear that if any land mortgage bank is to be started in this district it should be one with power to lend more than Rs. 10,000 to its members and I doubt very much whether such a co-operative institution is at all necessary to such big landholders or jennmis, as they are called in this district, as they can well afford to raise sufficient capital necessary for improvements to land and for liquidating their prior debts, because they have got the backing of their property.

As for the land mortgage banks, I would suggest that their funds should be derived largely from long-term deposits, funds from central institutions, and debentures. It is a very good idea to have started a central land mortgage bank. The primary land mortgage banks, located as they have to be in a rural area covering a group of villages, are unable to attract people

to purchase the debentures. It seems to be necessary also for the successful working of the land mortgage banks, particularly the central land mortgage bank at Madras, that Government should guarantee interest for a certain number of years so as to attract people to purchase debentures issued by the central land mortgage banks. And I would also suggest that the Provincial Insolvency Act be so revised as to protect the amount advanced by the land mortgage banks. The land mortgage banks should be persuaded to lend money at 7 per cent, providing only $\frac{1}{2}$ per cent for their working expenses. The system of foreclosure should not be enforced rigorously, but every attempt should be made to recover the money without resorting to foreclosures.

5. It may be necessary to reach an estimate of the indebtedness of the agriculturists but I doubt whether it will be possible to get a correct and an accurate estimate of their indebtedness. The agriculturists in this country seem to think that debt is a normal addition to the family, so that many a time, when questioned, the ryots say very coolly that they have got some debts, as if it is not a thing to be rid of. They are so accustomed to the incubus of debt that they feel it to be their ordinary companion. If it is desired to reach an accurate estimate of the debts of the agriculturist it is advisable to select in each district a suitable area, say a village, where the agriculturists are sufficiently enlightened to know the seriousness of their position. This enquiry will enable us to know exactly what causes contribute largely to these debts. In this district as well as in South Kanara debts have been incurred not so much for marriages and ceremonies, for their expenditure on ceremonies is necessarily low, but because both these districts are often hit by floods and failure of crops. These debts are mostly due to indigenous banks and bankers. The debts to indigenous bankers are rarely discharged because the interest ranges from 12 per cent to 36 per cent. I would very much like that a "Usurious Loans Act" like the one in England is introduced here and enforced very rigorously. From the last census report, it would appear that land is slowly passing from the hands of the agriculturist class to the non-agriculturist class with the result that agriculturists are becoming mere tenants. It need hardly be said that it is ownership that encourages a man to improve land. A tenant feels that he need not improve the land because all the result of his labour would only go to swell the pocket of the landholder, while a big landholder does not care so much to improve his land, because his income is enough to enable him to live a life of luxury. Land is therefore neglected from day to day and unless this deterioration is arrested, agriculture will stand to suffer. It seems to me therefore that a "Usurious Loans Act" will be of considerable importance in this country. Even if land mortgage banks are started with the noble object of relieving the ryots from their indebtedness and making them masters of their lands, there is nothing to prevent a ryot anxious to hide his debt and unwilling to go through the formalities in a land mortgage bank, from going to indigenous bankers or professional money-lenders and borrowing at a ruinous rate of interest and thereby ruining his property and ruining himself. If ryots are to be freed and if agriculture is to advance, the "Usurious Loans Act" should be put into operation in all its vigour at the earliest possible day. A banker has no justification to take undue advantage of a person less favourably placed than himself owing to circumstances beyond his control. I should think Government had better step in in the interests of the ryot.

6. The industries supplemental to agriculture are coir, handloom, weaving, fishing and mat-making. In Malabar particularly, weaving is done on a large scale both as a cottage industry and under the factory system. But the difficulty is with regard to the handloom industry. The handloom weavers are unable to get the necessary capital for their industry and they do not know also where their market is. Whatever they produce at home in small quantities is sold day after day either in the village or in local shandies. The weavers as a class are generally indebted and addicted to drinking. Every weaver colony will have a money-lender who is a merchant. Every merchant in the weaving colony will be either giving money in cash or yarn to the poorer members of the community in the colony. Money will be lent to the weaver either for his domestic expenses or for expenses in the toddy shop. In the case of yarn he will have to give the cloth back taking only his wages which may be little or nothing. Even if a weaver is able to purchase yarn for cash, driven by necessity, he is obliged to sell it to the merchant in the village for whatever he can get because he is unable to find out where the market is. Banks hesitate to

finance the societies because the weavers as a class are indebted and also addicted to drinking. They have not also property to mortgage and even if a few of them have, it would be encumbered. But I strongly feel that it is a community to be encouraged, above all, in its profession. I should think a special staff will have to be appointed to supervise the working of such societies practically in areas such as Nileshwar and Tanur where they are very large in number. If banks are shy to advance money to these societies because they cannot furnish security, Government has to make advances of money to a few select societies. But I would suggest that the weaving should be done under the factory system if it should be a success. Weavers should be drawn out of their homes and made to come to some central place and asked to weave according to a type for which there is demand. In the face of mill-made cloths, their old time-worn cloths will not stand and if they want to live, they will have to come out of their houses and cater to the needs of the present day generation. I have already said weavers do not know their market and as such they do not know the real value of their produce. I would therefore suggest the need for a central weavers' society, preferably at Madras, which would be able to pool the produce of the weavers in the Presidency, watch the tastes of the people and the fluctuations of the market, and advise the constituent societies in the mufassal as regards the quality and the quantity of the articles required by the people. As regards the coir industry this does not suffer for want of finance or want of a market. There are quite a number of exporting firms here and the moment the manufactured products are sent out to the firms, money is made available so that a very small amount is necessary at the start. But the main difficulty is not one of capital but one of organization. The coir industry starts with women at the bottom, and this requires to be organized. An attempt has been made to organize one on co-operative lines at Calicut. The women who are handling coir in their homes have been persuaded to come out to a certain place selected by the society and work there for a fixed number of hours each day. Particular designs to suit the taste of foreign markets have to be manufactured and the goods marketed. But a special staff is necessary here to organize this industry on a very large scale so that the central coir society may deal not with the middlemen who are not a few, but with big exporting European firms here direct. An expert in the trade will have to be appointed and he will have to be paid high. The central society in its present condition will not be able to pay him. So Government assistance will be required for a time.

As regards fishing industry I should say that it can also be handled on co-operative lines. But the co-operative banks are shy to advance money to these fishermen societies as the fishermen follow a risky and uncertain profession. But if the Government would advance money to some more fishermen societies both in Malabar and South Kanara on the lines of the Bland and Palapatti fishermen societies to enable the fishermen to buy boats and nets to carry on their fishing profession, the central bank might come forward to advance money to such societies and the industry can thus be handled successfully on co-operative lines. But supervision—and close supervision—should be guaranteed by some agencies, preferably the Fisheries Department.

But I should like to suggest one point in the matter of financing cottage industry in the district. I would not, as some people often do, ask Government to finance this industry and that industry. I would suggest that the people themselves should take interest in the advancement of cottage industries in their own district. For this purpose development boards like the one suggested by Mr. K. T. Paul in his minute attached to the report of the Committee on Co-operation or a district advancement association should come into existence in each district. The object of this association should be to investigate the possibilities of developing the cottage industries in the district, to utilize the natural and financial resources for this purpose and when necessary, to call in the aid of the Government. When people organize themselves for this purpose and are prepared to labour and spend money for this purpose, Government will not be shy to advance money for this purpose. In this Association, officials and non-officials interested in rural uplift might meet on a common platform to devise means so as to improve the economic condition of the district. I am contemplating one such in this district and I do not think it would be very long for the scheme to mature,

**Written evidence of M.R.Ry. Rao Sahib N. RANGANATHA
ACHARIYAR Avargal, B.A., B.L., Deputy Registrar of
Co-operative Societies, Bezwada.**

1.—Agricultural credit and credit facilities for small industries.

1. The agriculturists in this province obtain finance,

(a) for expenses during cultivation,

(b) for capital and permanent improvements, and

(c) for other special needs for failure of monsoon, land revenue, etc., mostly from co-operative societies, village sowcars and rich ryots of villages. They also obtain loans from Government under the Land Improvement Loans Act and the Agriculturists Loans Act for capital and permanent improvements. The tobacco growers in Guntur district receive advances from foreign tobacco companies for cultivation on the understanding that the produce will be sold to the companies

The rates of interest charged are as follows:—

Co-operative Societies.	..	9½ per cent per annum,
Local Sowcars and rich ryots	..	9 to 12 per cent in a few cases, 12 to 24 per cent in the majority of cases, and 24 to 37½ per cent in a few cases, depending on the status, solvency and needs of the borrower and the reason for borrowing.
		- 5 per cent before 1907.
Takavi Loans		6½ per cent till 1921.
		7½ per cent from 1921.
		6½ per cent from 1st April 1929.

Borrowing and repaying in grain obtains in some parts of the country and it is called 'Nagu system'. Rate of interest in this case is usurious and goes up to 50 per cent.

The period for which loans are taken varies from six months to one year for cultivation expenses, land revenue, etc., and from two to six years for capital and permanent improvements while it is generally 10 to 20 years in the case of takavi loans although the maximum permissible is 35 years. The by-laws of the land mortgage banks make provision for the grant of loans for permanent improvement of lands, but no such loans have yet been granted in the two such banks working in this circle.

The security given in co-operative societies is either personal consisting of one or more sureties or pledge of produce in the case of short-term loans, or real consisting of mortgage of immovable property in the case of long-term loans. Sowcars take pro-note or mortgage security and in some cases pledge of jewellery. In case of default penal interest is charged at 12½ per cent by co-operative societies; some sowcars deduct the interest when giving the loan while the village money-lender generally enters into a contract with the ryot that the produce of the land shall be sold to him at a favourable rate immediately after harvest or shall only be sold through him if he is a commission agent.

The part played in agricultural finance by the several institutions is as follows:—

Government gives (i) takavi loans, (ii) loans to co-operative irrigation societies, (iii) tenants' co-operative societies for depressed classes and (iv) loan and sale societies for construction of granaries, and they indirectly assist agricultural finance to the extent of eight lakhs of rupees per annum by defraying the cost of the Co-operative Department which is mainly intended to promote agricultural finance. The Imperial Bank of India gives loans to rich ryots on the pledge of produce, mainly paddy and sometimes cotton, groundnut, chillies and tobacco, stored and sealed in their godowns. Such loans are no doubt given to agriculturists but are not always used for agricultural purposes. There are very few joint-stock banks in the Telugu country while there are several indigenous 'Nidhis' in the Tamil country corresponding to joint-stock banks. The Nellore Permanent Fund which has been working for 40 years satisfactorily and owns a substantial building

worth about Rs. 30,000 is such a nidhi. It gives loans mainly on the security of houses and jewellery to petty traders and wage-earners in Nellore town and to a few agriculturists. The only joint-stock banks working in this part of the country are (1) the branches of the Indian Bank, Madras, at Guntur, Bezwada and Narasaraopet, (2) the Andhra Bank, Masulipatam, established four years ago with a branch at Cocanada recently organized, (3) the Bharata Lakshmi Bank, Masulipatam, which is only a few months old, (4) the Liberal Bank of India, Nellore, of a recent origin and (5) the branches of the Agricultural Bank of India at Guntur and Nellore, which is also of recent origin. Only Nos. (1) and (2) are doing any appreciable business. The Indian Bank works on the same lines as the Imperial Bank of India and gives loans on the pledge of produce on the godown system. The Andhra Bank gives loans only to ryots holding substantial property and on pro-notes with sureties. None of these banks give loans to the small ryot. As regards co-operative banks there are four central banks in this circle, two in Kistna and one each in Guntur and Nellore districts with a working capital of 30, 24 and 16 lakhs respectively or an aggregate of 70 lakhs. They finance the agriculturists through the agricultural primary societies of which there were 464 in Kistna, 587 in Guntur and 422 in Nellore on 30th June last. There are two land mortgage banks in Kistna, one at Gudlavalleru and the other at Vadlamannadu, financing ryots for redemption of old debts, for details of the working of which please see answer to question 4 infra. There are very few indigenuous banks or bankers in this part of the country apart from local money-lenders. Some unregistered Reddy banks were working in Nellore district until recently but most of them have become dormant or been wound up. The bulk of agricultural finance not coming within the scope of the abovementioned agencies is supplied by professional money-lenders, merchants and dealers in villages. Companies trading in fertilizers like Brunner Mond & Co., and Parry & Co., sell chemical manures through their local agents in Kistna, Guntur and Nellore districts to the extent of about ten lakhs per annum and in some cases afford credit facilities to big ryots on the responsibility of their agents.

The total amount of capital required for the various purposes stated above is roughly as follows:—

		LAKHS.	
		RS.	
(1) For Land Revenue ..	Kistna district	30	
	Guntur district	57	
	Nellore district	27	
(2) For Cultivation expenses	Kistna district	100	
	Guntur district	200	
	Nellore district	100	

N.B.—These figures have been worked out as under:—

Cultivated extent.

Kistna—Aores 5 lakhs (2½ wet plus 2½ dry).	Rs. 30 per acre for wet land and Rs. 10 per acre for dry land is reckoned as the normal cultivation expenses per annum.
Guntur—Aores 15 lakhs (3 wet plus 12 dry).	
Nellore—Aores 6 lakhs (2 wet plus 4 dry).	

No estimate can be given for the total amount required for capital and permanent improvements.

The main defect in the present system is the necessity which still exists of the ryot having to go to the local sowcar or money-lender and borrowing at a usurious rate of interest on terms highly disadvantageous to him and which practically leaves nothing to him as profits of his labour. This is due to the fact that the co-operative movement has for obvious reasons touched only the fringe of the population, the factors contributing to such a state of things being (1) the general illiteracy of the masses, (2) want of co-operative education, (3) want of a sufficient number of sincere honorary workers and (4) factions in villages and especially the importation of late, of communal and local board politics into the administration of co-operative societies. The remedy lies in compulsory primary education of the masses and adult education followed simultaneously by intensive co-operative education and the expansion of the co-operative

movement by the organization of a large number of societies in the areas to which the movement has not yet extended, and consolidation of the existing societies.

There is co-ordination amongst the co-operative banks, the Imperial Bank and the Government but not amongst the other agencies. There is not much scope for improvement in this direction amongst the latter unless the masses become more literate at least with an elementary knowledge of banking procedure and are able to understand their rights and responsibilities in dealing with problems affecting their interests.

2. The principal crops in this circle are—

- (a) Kistna district—Paddy, groundnut and cotton.
- (b) Guntur district—Paddy, groundnut, cotton, chillies and tobacco.
- (c) Nellore district—Paddy.

Paddy is chiefly grown in villages irrigated by the deltaic canal system and to a small extent under tanks in the uplands. The latter is hardly sufficient for local consumption. The surplus in the delta is purchased by local merchants and sometimes by rice factory owners, converted into rice in the nearest factories and exported to Madras, Ceded districts, Bombay and other places by rail. It is said that a certain portion is exported from Bombay to foreign countries but I have no statistics in the matter.

As regards groundnut an extent of 25,000 acres is grown in Kistna and about 250,000 acres in Guntur. The system of marketing this crop is not uniform. In some cases the ryot takes the produce to the market and sells it direct to the big merchant. In some cases he sells it to the commission agent or smaller local merchant. In some cases the agent of the big merchant in town who is generally the proprietor of the factory goes round the villages buying up the produce, while in other cases, the crop is grown on advances from merchants on condition of sale to them immediately after harvest at a fixed price or at the market price. But the method mostly in vogue in these parts is for the ryot to sell his crop through the commission agent to the big merchant or the factory owner, the agent taking the uniform commission of one anna per bag or five annas per candy of 500 lb. of unshelled stuff which is equivalent to five bags. The stuff is then decorticated in the factory and sold by the owner in the form of kernels to the representatives of European firms, like Rally Bros., Volkart Bros., etc., ex godown. These firms tranship the produce by rail and steamer to the continent. If the ryot takes the produce to the market and sells direct to the big merchants he is also paid a commission of five annas per candy allowed to the commission agent. The crop is sold to foreign firms mostly on the forward contract system commencing in September for delivery of produce in December and subsequent months ending with April.

An almost similar method of marketing applies to cotton also.

Chillies are mostly grown in Guntur district. The ryot or the small village dealer who purchases it from the ryot brings the produce to the commission merchant in market towns where it is subsequently purchased by the agents of Marwari firms and exported to Bombay, Calcutta, etc.

Tobacco is grown in two varieties, the country leaf variety and the Virginia leaf variety. The latter is mostly grown with seeds supplied by the foreign tobacco companies and partly by the companies themselves on lands taken on long lease by them. This is cured in the company's factory at Chirala and exported to the continent. The local variety is purchased by the local wholesale dealers in market centres and exported to foreign countries.

There are vast possibilities of pooling the produce relating to the several crops above named and marketing it through the agency of co-operative societies by the organization of a net work of loan and sale societies. But the only thing that stands in the way is the want of sufficient human material with the necessary character and business habits. Experience has shown that it is unsafe to depend upon mere honorary workers to run such organizations. There must be an adequately paid staff if the scheme is to work successfully and to begin with Government must lend the services of experienced Inspectors with special aptitude for and training in non-credit work to run such societies till the movement takes root in the land and can stand on its own legs.

The credit facilities required for the financing of products for marketing are those described in Circular No. 6358-28, dated 19—1—1929, of the Registrar of Co-operative Societies, Madras, or to put it briefly, (1) the financing of cultivation at every stage after taking an agreement from the ryot for his bringing all his produce to the loan and sale society for sale, (2) a free system of overdrafts, (a) to the village society and loan and sale society by the co-operative central banks and to the central banks by the Imperial Bank of India and its branches throughout India; (b) between district co-operative banks in this province and similar co-operative organizations in other provinces and (3) between district co-operative banks and continental exchange banks in the provincial capitals.

As regards facilities actually existing for marketing the produce of the country, there are village societies to finance the ryot in most places but very few loan and sale societies. A net work of loan and sale societies must be organized and the contract system whereby every ryot who takes a loan from the society is bound to bring his produce to the society for sale insisted upon.

Co-operative banks are at present playing comparatively very little part in the process of marketing. The bulk of the finance required for the purpose is being supplied by the branches of the Imperial Bank of India and the Indian Bank to the wholesale merchants and agents of up-country and foreign firms. The part played by the local merchants and dealers has already been described.

The existing facilities available to the public for internal remittance are (1) cheques, (2) hundis, (3) bills of exchange and (4) arbitrage. The defects in the existing system are the absence of clearing house arrangements in several places in regard to cheques drawn on banks and bankers. Another defect is the non-recognition by some banks of the cheques drawn in the vernaculars of the country.

But for the facilities created by negotiable instruments for movement of capital from one part of the country to another the internal trade of the province will be greatly hampered. The Statutory protection afforded to cheques under Section 131 of the Negotiable Instruments Act may be extended to bills and the stamp duty reduced by 50 per cent so as to enable the public to make a more extensive use of bills.

There are only two different classes of hundis current in this part of the country, viz., darsan hundi payable at sight and hundis payable on maturity. Sample copies of the former both in English and vernacular used by local merchants in Bezwada are attached.

The protection given under Section 131 of the Negotiable Instruments Act of 1882 to the public and the banks and bankers handling cheques might be extended to those handling hundis also so that the latter may be better protected and benefited. The hundis are mostly discounted here only and very few of them are sent to the provincial centre to be discounted there. They are also sometimes held by middlemen, merchants and commission agents.

The different kinds of instruments and documents of ownership of goods employed for raising money during the process of marketing are railway receipts, bills of lading, pro-notes, warehousekeeper's certificates, delivery orders and wharfinger certificates.

The establishment of warehouses in principal markets and exporting centres and the issue of warehouse receipts on the pledge of which banks will be prepared to make advances will promote the financing of trade and industries. At present foreign insurance companies like the Sun Life Insurance Co. of Canada are doing enormous business in India but the funds obtained by them here are being remitted to foreign countries. If they are made available for financing Indian trade and industry a large amount of capital will be immediately available and rates of interest can be reduced. The same is the case with the exchange banks; special arrangements may also be made to lower the bank rates during the marketing season so as to enable both producer and purchaser to obtain finance at cheap rates. For this the organization of a central reserve bank is necessary with powers of control over all the banking organizations in the country and with branches in all district headquarters. Special arrangements are also necessary to bring the producer and wholesale merchant in

touch with each other without the intervention of the middleman. There must be also a bureau of information broadcasting the prices of principal crops in market centres.

3. The value of land per acre varies according to the fertility of the soil, the facilities for irrigation and drainage in the case of wet lands, the density of the ryot population, and the proximity of the land to the village proper and to the railway station or marketing centre. Subject to these qualifications the values here range as follows:—

Paddy, Rs. 500 to Rs. 2,000,

Groundnut, Rs. 100 to Rs. 500,

Cotton, Rs. 300 to Rs. 600,

Tobacco and chillies, Rs. 500 to Rs. 1,000.

These are the prices realized when the land is sold by private negotiations, but when the same is sold for non-payment of revenue or in execution of a court decree the price fetched will be 30 to 40 per cent less than the values above specified.

4. In this circle the lands are either ryotwari, zamindari or whole inam. In almost all these cases except in the rare instances of few zamindari villages and a few inam villages the ryot has occupancy right and there is no legal impediment to mortgage of the land.

There are two land mortgage banks in the Kistna district, one at Gudlavalleru and the other at Vadlamannadu, for the provision of long-term credit to the ryots residing in the villages comprising their area of operations. Particulars of the working of these banks are given in the appendix. There are no land mortgage banks in Guntur or Nellore district.

The objects of these banks as defined in their by-laws are to promote the economic interest of their members and more particularly to arrange for the creation of funds to be lent to their members on mortgage security for (1) the redemption of mortgages on agricultural land, (2) the discharge of prior debts and (3) the improvement of agricultural land and its method of cultivation. But loans are at present granted only for the first two objects.

These banks obtain funds for their working in the shape of share capital, deposits and debentures; but the deposits are only nominal and the bulk of the money is raised from debentures. The maximum borrowing power of each bank is nine times its paid-up share capital plus reserve fund. Loans given to members are secured by the first mortgage of the land to be redeemed or improved by means of the loan and do not exceed 50 per cent of the estimated market value of the land. The individual maximum borrowing power at present is Rs. 2,000 but both the banks have already applied for enhancement to Rs. 3,000 and in the case of Gudlavalleru Land Mortgage Bank even to Rs. 5,000. No loan is granted for a period exceeding 20 years. Debentures of the denominations of Rs. 100, Rs. 500 and Rs. 1,000 carrying interest not exceeding 7 per cent per annum are floated by the banks on the security of indentures executed by the borrowing members and these indentures are transferred to the trustee who is at present the Registrar of Co-operative Societies, Madras, as security for the due fulfilment by the bank of its obligations to the creditors. The local Government purchased debentures to the extent of Rs. 50,000 from Gudlavalleru and Rs. 10,000 (first instalment) from Vadlamannadu banks at 6½ per cent interest and the Madras Central Urban Bank has followed suit by purchasing debentures to the extent of Rs. 35,000 in both the banks at the same rate. Loans are given to members at 9 per cent per annum.

(a) A proper maintenance of record of rights will greatly facilitate the proper working of land mortgage banks and avoid the possibilities of disputes and counter-claims. Steps have to be taken in this direction by the Revenue Department in collaboration with the Registration Department at least for those villages coming under the operations of land mortgage banks.

(b) No necessity has yet occurred in either of the land mortgage banks working in this circle for foreclosure or sale but as many cases are likely to arise when more banks are started it is desirable to have

powers granted to the bank by the legislature to sell the properties of the defaulters mortgaged to the bank without the necessity to obtain a decree as in the case of mortgages in Presidency towns by amending section 69 of the Transfer of Property Act IV of 1882, if necessary; but there is no necessity for the land mortgage banks to be given the powers of foreclosure in any case.

(c) According to the practice obtaining in this Presidency no charges are incurred for either getting encumbrance certificates or obtaining awards or executing them through the Revenue Department. If at all any costs are incurred they are recovered from the defaulters as costs in the suit. The question does not appear to apply to the conditions obtaining in this province. In this connection I may bring to the notice of the Committee the necessity for some statutory provision being made to meet the cases of applications under the Provincial Insolvency Act to declare the borrowers from land mortgage banks as insolvents within three months of their mortgaging their property or borrowing from the bank, on the ground that the mortgage or alienation to the bank was made with a view to defraud other creditors. No such case has yet occurred but there is a possibility of its occurring at any time as more banks are established. The question may be considered in consultation with the Law Officers of the Crown if necessary, specially because there is a possibility of a large number of these banks being organized hereafter when the central land mortgage bank is registered. A similar safeguard to land mortgage banks is necessary to see that subsequent loans made by Government under the Land Improvement Loans Act and the Agriculturists Loans Act do not take priority over earlier loans given by land mortgage banks by making such amendments in the law as are necessary. Under the rules framed by Government under these Acts, takavi loans may be granted by Government on the security of lands already mortgaged to land mortgage banks provided that the value of the lands after allowing for the prior encumbrance is sufficient to cover the new loan and leave the necessary one-fourth margin.

Assuming that the Central Land Mortgage Bank at Madras will soon be registered the working capital of the central bank will have to be derived largely from debenture bonds and long-term deposits while the primary banks have to be financed by the central institution as the power of floating debentures will presumably be withdrawn and they will be affiliated to the central land mortgage bank. It has, I think, been recognized that debenture bonds of the central land mortgage bank should carry some Government guarantee by way of interest and the Madras Legislative Council on the motion of the Honourable Minister for Development resolved last week to recommend to Government to guarantee interest not exceeding 6 per cent for 25 years on debentures worth 50 lakhs to be floated in the first five years. The debentures floated by the primary land mortgage banks at present carry no guarantee but as already stated above this is partly made up by the Government itself purchasing debentures to the extent of Rs. 50,000 from the primary land mortgage banks at half per cent less rate of interest with a view to create confidence in the mind of the public.

The transfer of the securities to the trustee approved by the Registrar is practically a guarantee to secure Government against any possible loss that may occur. If further guarantee is required, a compulsory bad debt fund may be created out of a portion of the profits and the reserve fund may be ordered to be invested in Government promissory notes and deposited with the trustee or in a bank approved by him.

As stated, land mortgage banks are now issuing debentures at 6½ per cent to Government and Madras Central Urban Bank, and 7 per cent to the public; the money so derived being lent to members at 9 per cent. It is advisable that land mortgage banks should lend to their members at 8 per cent when the central land mortgage bank issues debentures at 6½ per cent.

One suggestion that may be made for the adequate provision of long-term credit against sound security and attracting long-term money from the public is that the Indian insurance companies should be encouraged by Government to invest their surpluses in the purchase of debentures of the central land mortgage bank recognizing those debentures as trustee securities. Thus the major portion of the premia paid by the public to

the insurance companies comes back into the co-operative movement to furnish capital for the issue of long-term loans to them. The Andhra Insurance Company, Masulipatam, has taken the lead by purchasing debentures worth Rs. 10,000 from Vadlamannadu land mortgage bank.

5. I do not know of any estimate for a village or a district in this province or for the whole province giving accurate figures of the existing indebtedness of the agricultural classes. A committee of non-officials called the Economic Enquiry Committee seems to have been making such an enquiry for some time past in some of the villages of Godavari and Kistna districts primarily in connection with the proposed enhancement of land assessment in those districts by resettlement but their results have not yet been published. Such an estimate to be of reasonable accuracy can only be obtained by employing a special staff under adequate supervision at a prohibitive cost and even then it is doubtful if correct and complete information would be forthcoming in all cases for the reason that the sower is afraid of the Income-tax Department and respectable ryots will not be willing to have their indebtedness exposed. Similarly the amount of debt with land as security and the amount secured by other assets can only be known by making a special enquiry in any particular area for the purpose. Though the records of the Registration Department may give some idea of mortgage debt, they cannot furnish figures for the outstanding indebtedness as repayments are not registered. Such an enquiry was got made by me in a small Panchama hamlet of the deltaic village of Panchalavaram in Tenali taluk with a view to redeem the inhabitants of the hamlet who are Adi-Andhras from their entire indebtedness by obtaining for them a loan of about Rs. 25,000 from the Madras Christian Central Bank on the security of their immovable property. The enquiries were made by the Inspector specially deputed for the purpose and the result showed that 43 families had a total indebtedness of Rs. 25,313 classified as under:—

Secured by mortgage, Rs. 9,087 and

Secured by pro-note and katha and hand-loans accounts, Rs. 16,226.

Out of the entire indebtedness in the Presidency only about 8 crores is due to co-operative societies and the rest to other agencies, the major portion being due to professional money-lenders and village sowcars.

The rates of interest charged by the several financing agencies have been already given supra in answer to question I (i).

The methods used for calculating interest depend upon the original contract and instruments executed for the purpose. In the case of promissory notes if the borrower is a man of small means interest is calculated yearly and if not so paid is added to the principal. Where the borrower is solvent interest is calculated once in three years. On mortgage loans interest is generally calculated yearly. Co-operative societies pay half-yearly interest to central banks while they collect interest annually from their own members. Interest on debentures of land mortgage banks is paid half-yearly. Interest on Government loans is paid yearly. Some banks and professional money-lenders charge quarterly interest. The Imperial Bank of India will not give loans for periods of more than six months or without two sureties. It gives no loans on the security of immovable property.

The payment of debt is enforced

(1) by Government by proceeding against the person or property of the borrower as if it were an arrear of land revenue,

(2) by co-operative banks and societies by either (i) referring the matter to arbitration under rule XVI of the Co-operative Societies Act and obtaining an award and executing it either (a) through the Revenue Department or (b) through the civil court or (ii) by filing a suit in the civil court and applying for execution of the decree and

(3) in all other cases or filing a suit in civil court and attaching the defaulter's property movable or immovable in execution of the decree or by personal arrest of the defaulter.

There are also cases here and there of Marwari money-lenders enforcing payment of debt in rural parts by making their servants sit in 'Dharana' at the entrance of the borrowers' house till the debt is repaid and charging eight annas or more per diem for his wages.

The process of the enforcement of old debts and the passing on of the landed property into the hands of the creditors is slowly turning a large number of people who are efficient farmers into tenants and it is taking away from the actual cultivator the incentive to improve the land and produce more in an efficient and better manner especially where the tenancy is from year to year or for a short term of years.

6. The small subsidiary industries allied to or supplemental to agriculture in these districts are hand-spinning, hand-loom weaving, dairy farming, raising garden produce (vegetables and fruits) and cotton ginning. These industries can be encouraged and the producer might be enabled to get a better return for his produce by the formation of co-operative societies for these industries and the introduction of up-to-date machinery. Hand spinning and poultry farming may be suggested as enterprises which give employment to the farmer during seasons when he cannot make full use of his time on his farm and thus enable him to supplement his income. It is true that the economics of hand spinning does not give a return of more than one and a half annas to the spinner or Rs. 3 per mensem but considering that the average income of the ryot as calculated by experts in economics and by even the Government of India does not exceed Rs. 3 per mensem the supplemental income from hand spinning must be a decent addition to his otherwise paltry resources. Added to this both hand spinning and poultry farming can be taken up by the females and even decrepit old members of the ryots' family who are unfit for other work involving hard labour. It is true that such hand spinning is monotonous and that in the case of an able bodied person fit for other work which is more remunerative the labour involved in it is out of all proportion to the income which it fetches. But as stated above it engages the other members of the family who are less strong and involves very little expenditure or outlay for the purchase of implements or raw materials. Even in the case of the able bodied farmers there is no reason why they should not take to it till they could find better means of employment.

Capital for such enterprises can best be secured through the machinery of co-operative societies by means of members' shares coupled with loans from co-operative banks to the societies on the security of the share capital and other assets of the members. The capital required for such small industries being only in small amounts, assistance of Imperial Bank of India or joint-stock banks is not necessary for the purpose.

6-A. I have some knowledge of the hand-loom weaving industry in these parts as Pedana in Kistna and Chirala in Guntur have been famous centres of this industry for a long time and even now Guntur district possesses the large number of hand looms (about 15,000) in the presidency. Several attempts have been made to improve the condition of hand-loom weavers but owing to various causes, viz., (1) the indebtedness of the weavers, (2) opposition from master workers, (3) want of human material to work the societies, (4) their irregular habits including addiction to drink and especially (5) the difficulty of finding a market for the finished products, the attempts have not been successful. Coupled with the above, the weavers have to face the competition from the mill-made goods of Northern India, Jaipur and other foreign countries which by virtue of production in mass can be sold cheaper than the loom-woven cloth. The organization of a wholesale depot in provincial centres which will be a clearing house for hand-loom products may possibly be of some use to improve the condition of this class of people.

7. Co-operative banks in this province are assisted by the Imperial Bank of India by way of overdrafts to the extent of more than 60 lakhs of rupees which is of considerable assistance to them for maintaining their fluid resources. Conversely some co-operative banks invest their surplus balances in the overdraft account of the Imperial Banks of India as credit balances. The Imperial Bank of India is also issuing demand draft to co-operative banks for cash remittances of sums not less than Rs. 150 at a time. There are very few joint-stock banks in the Northern Circars. As regards their relation with other banks the Andhra Bank at Masulipatam is enjoying an overdraft at the Kistna Co-operative Bank to the extent of Rs. 16,000 on the security of debentures purchased by it in the land mortgage bank. Institutions corresponding to nidhis which are so very common in Southern districts are not found in the Andhra country

Except a few Marwari firms of standing, there are no indigenous banks worth the name in these parts. Some of these have overdrafts with the Imperial Banks of India but not in co-operative banks with which they have no dealings whatsoever. But the co-operative movement has indirectly affected the transactions of the indigenous banks and bankers by lowering their rate of interest.

In the matter of finance absolutely no difference is experienced in the case of co-operative societies in regard to short-term capital and some co-operative central banks are surplusing in that respect. As regards long-term capital co-operative banks were issuing ten years' term loans until recently although they had no long-term money in the shape of deposits which were mostly got for three years and less but they were banking with the expectation of renewal of these deposits. The unsoundness of this policy was stressed by the Townsend Committee on co-operation in their report published last year and since then the maximum period of loans to co-operative societies is only five years. As for long-term finance for the redemption of indebtedness and capital and permanent improvements, the Committee suggested the formation of a central land mortgage bank with a network of primary land mortgage banks, the idea being that the central land mortgage bank should raise the necessary capital by floating debentures and supply necessary funds to primaries. Steps are being taken by Government in this direction for this presidency.

It is not possible to furnish an estimate of extra capital required for financing co-operative movement unless a survey of indebtedness is made as suggested above. As for current expenditure for cultivation a rough estimate was already given by me in answer to question 1 supra based upon the total area cultivated in each district.

There is competition to some extent between co-operative banks and joint-stock banks especially in the matter of rates of interest on deposits offered by them, e.g., the rates of interest on deposits of the Kistna Co-operative Bank and the Andhra Bank and Bharata Lakshmi Bank, Masulipatam working in the same locality are as under:—

				Bharata Lakshmi Bank.		Andhra Bank.		Krishna Co-operative Bank.
For deposits of 6 months	..	..	..	6	per cent.	5	per cent.	4½ per cent.
„ 1 year	..	..	..	6½	„	6	„	5
„ 2 years	..	..	..	6½	„	6½	„	5½
„ 3 years	..	..	..	7	„	6½	„	5½

The following financial and other concessions are suggested in order to stimulate the growth of the co-operative movement:—

(1) Exemption from income-tax of interest on debentures issued by co-operative land mortgage banks.

(2) Debentures of land mortgage banks may be ordered to be accepted by all co-operative banks in the province for giving loans or overdraft on their security.

(3) Rebate of commission on money orders by one co-operative society to another for remittances for co-operative purposes as obtains in the Punjab and Bombay Provinces may also be granted in this presidency.

(4) Inclusion of debentures issued by the existing land mortgage banks and the proposed central land mortgage bank in the list of trustee securities.

(5) Amendment of the Trust Act to enable the investment of trust funds in co-operative banks either as deposits or as debentures.

(6) Guaranteeing of interest on the debentures issued by the central land mortgage bank for a period of five years to begin with (this was already agreed to by the local Legislative Council).

(7) Loan of the services of Government staff free for some years to work up loan and sale societies intended for the better credit facilities and for the better marketing of the produce of the agriculturist.

(8) Subsidies on a larger scale to provide co-operative education for official and non-official workers and for members of co-operative societies.

II.—Indigenous banking.

1. Indigenous bankers in these parts receive money at cheap rates of interest, give loans to their clients at a higher rate of interest, discount

bills, ~~honour cheques and hundis~~, honour hundis including darsan hundis payable at sight and thus facilitate the remittance of money to outside centres

2 Indigenous banks in towns are not generally financing ~~agriculture~~ or other industries. They are mainly financing trade, (i) by giving loans to traders, (ii) by allowing cash credits (iii) by discounting bills and (iv) by issuing hundis. Agriculture is chiefly financed by money-lenders in villages so far as the indigenous system is concerned.

3 (a), (b) & (c) I can give no idea of the amount of capital invested in the indigenous banking system nor the volume of the indigenous business nor the expenses thereof.

(d) The relations between the several banking agencies have been already described above.

4 The various credit instruments used by indigenous bankers in the parts are (1) Darsan hundis (payable at sight) 2) hundis maturing after a period of certain months and (3) promissory notes.

5 The indigenous banks provide themselves with funds to meet the demands, (1) by their own capital (2) by deposits or loans received at cheap rates from the public (3) by means of cash credits or loans from the Imperial Bank of India or joint-stock banks, (4) by discounting bills and (5) by borrowing from one another.

The terms of loans granted by indigenous bankers depend upon the nature of security offered, the status of the borrower and banker and the season of borrowing. The various methods of the village money-lender in granting loans to the agents have already been described in the answer to question 2, section 1 relating to marketing. Indigenous bankers generally pay interest at 6 to 9 per cent on the loans and deposits received by them.

6 The rate of interest which the agricultural community has to pay to the indigenous banker varies as already stated from 12 to 24 per cent and goes up to 37½ per cent in some cases, 12 to 24 per cent being the most common. If interest is paid in kind 'Nagu' as it is called it goes up to 50 per cent. These rates can only be brought down by the organization of co-operative education and expansion of co-operative movement on the right lines.

The reduction of such rates coupled with co-operative education inculcation of the habits of thrift and utilization of loans only for productive purposes will certainly confer great benefits on the agricultural community and improve their standard of living and will enable them to spend more on agricultural improvements.

7 There is no prejudice in this part of the country against indigenous bankers in towns but prejudice does exist against money-lenders in villages who are looked upon by the riots as Shylocks especially against those who practice the 'Nagu' system.

These indigenous banks are sufficiently protected in law and no legal or other facility need be extended to them.

The dealings of this class of bankers with their clients are not always upright though in point of security they are on sound lines. They use false weights and measures and adopt false accounting too. The remedy lies only in mass education and removal of illiteracy.

8 This class of bankers may be made more serviceable to the community by the regulation of rates of interest charged by them by statute so as not to exceed 12 per cent or at the most 15 per cent with power to civil courts to disallow all claims in excess of 15 per cent. The attitude of the indigenous banking community towards the introduction of any methods for regulating their operations and for giving publicity to them will be a hostile one. They are specially afraid of their transactions coming under the purview of the Income-tax Department.

9 After making allowances for legal expenses, management charges and other losses the net return to indigenous banks and bankers may vary from 12 to 15 per cent but no data are available to give an accurate estimate.

10 Cases are not infrequent where indigenous banks and bankers are obliged to refuse accommodation to their clients either on account of the unacceptable nature of the security offered or owing to the insufficiency of their working capital.

11. The indigenous banking system can be linked with the central money market and provincial capitals through the co-operative movement. The co-operative central banks and primary societies should develop the system adopted by the commercial banks for trade purposes especially the system of hundis and discounting of bills. The public must be encouraged to develop the cheque habit and current account system.

A branch of the central reserve bank which should be a bankers' bank for all-India may be established at the headquarters of each district. Overdrafts must be freely given by societies to individuals, by co-operative central banks to societies, and by the central reserve bank to co-operative central banks. If the indigenous bankers are also given free accommodation by the co-operative banks in the first instance and through them by the central reserve bank, the opposition of the indigenous bankers may be disarmed and their confidence secured. If the indigenous bankers' lending rates are to be curtailed as suggested above there may not be much objection to their being given accommodation even by co-operative banks as at least for some time to come they cannot be dispensed with altogether.

12. I do not think there is any large amount of money in the district in the hands of the indigenous bankers which does not find employment throughout the year nor are their moneys now flowing to the provincial capital to any appreciable extent either for long or short-term periods.

III.—Investment habit and attraction of capital.

1. The existing banking resources in the province are (1) deposits of all kinds by the public (including fixed, current, savings, chit funds, etc.), (2) share capital (paid-up) of the banking institutions, (3) their growing reserve funds, (4) loans from the public and Government and (5) the owned capital of bankers and money-lenders. The total amount of such resources in co-operative banking is roughly 84 crores in this Presidency. No figures are available for the amount contributed by the Imperial Bank of India. The resources contributed by joint-stock banks roughly amount to Rs. 20 crores. No estimate can be given of the amount of additional capital required. The means or institutions in existence for encouraging savings and investments are co-operative societies and banks, post office (including savings bank branch and postal cash certificates), various insurance companies both Indian and foreign, all other banking institutions which receive deposits or loans, shares of joint-stock companies like factories, mills and banks, chit fund associations, provident funds of various institutions including Government railways, local board and debentures issued by corporations and land mortgage banks.

In spite of the existence of so many facilities, people living especially in rural parts are not taking advantage of them owing to their illiteracy, want of habits of thrift and inability to grasp the advantages of such investments. The existing facilities can be improved by (1) persistent propaganda to inculcate the habit of saving and investing such savings in interest-bearing or dividend-fetching securities instead of investing them as has been the age long custom in gold and silver ornaments, (2) the organization of savings committees referred to in the Government of India's letter No. D. 4023-F, dated 16th August 1929 as in the Western countries, especially England, (3) making the withdrawal forms of savings banks negotiable paper and (4) propaganda against excessive expenditure during marriages, etc.

This custom of converting savings into jewellery had its origin when there were no banking facilities or even facilities for local investment. It is also partly due to social customs, religious beliefs and traditions. But with the advance of literacy amongst women, the craze for jewellery is expected to be lessened. If in conjunction with this the force of public opinion puts an end to the pernicious system of dowries and to the unnecessary expenditure during marriages and other ceremonies there will be greater opportunities for saving and investing such savings in remunerative concerns; while from one point of view investment in silver and gold jewellery may be criticized as unproductive it must be stated that but for that investment rightly or wrongly even the money so saved would have been expended for other purposes, and that it furnished and is furnishing a readily available and safe security for an ordinary person to get a loan whenever required. The reluctance of the Indian women to part with their jewellery except in the most straitened circumstances also

conduced to many families retaining in the shape of jewellery what little property they possessed.

2. Postal cash certificates were once popular in these parts but after the reduction of the rate of interest, they ceased to be popular as other kinds of investment are fetching higher rates of interest; while the interest on postal cash certificates of five years works out only to 5 per cent the same amount invested in a co-operative central bank fetches 5½ per cent and in a co-operative society 7 per cent. If the cash certificates are to become popular the rates of interest have to be revised, but this is not desirable as there will be unhealthy competition between the post office and the banking institutions especially those connected with co-operative banking.

Postal savings banks afford all possible facilities to the public but as there are post offices only in towns and important villages, nearly 60 per cent of the population is deprived of the facilities for such investment through the post office with the result that postal savings banks are used only by wage earners in urban areas and hardly by any agriculturists. It is not possible to attract the people living in villages to postal savings banks as it is not practicable to establish a post office in each village. In this part of the country there is no competition of Government with banking institutions in regard to deposits as the rates on postal cash certificates and treasury bills are not more attractive than the rates offered by the local banking institutions and bankers.

3. The existing facilities for the purchase and sale of Government securities are (1) purchase through the post office subject to the restriction of Rs. 5,000 to an individual investor in any one official year and not exceeding Rs. 22,500 in all; and (2) the Imperial Bank of India and joint-stock banks also purchase and sell Government securities charging some commission, co-operative banks are just beginning to undertake this business.

Special facilities may be granted to small agriculturists and small investors of the country to take up some form of Government securities by making such securities available when application is made through the village officers to the taluk office, but I do not think that the people in rural parts would take advantage of the scheme as they would prefer to invest their savings, if at all in a local co-operative society which gives a higher rate of interest, and which is near at hand and working in their midst.

Securities other than Government securities consist of (1) stocks and shares of joint-stock companies and (2) debentures of corporation and land mortgage banks. The former and corporation debentures are purchased and sold through the Imperial Bank of India and joint-stock banks, while there are no facilities as yet for the purchase and sale of debentures of land mortgage banks.

The people in this part of the country may be divided into the following groups:—

(1) Agriculturists, (2) traders, (3) wage earners including men belonging to various professions, (4) labourers.

Agriculturists utilize the moneys which come into their hands by sale of produce in repayment of prior debts, and surplus if any, in the purchase of new lands, agricultural improvements, and to a slight extent in money-lending. Wage earners invest their surplus income in purchase of lands and houses, in the shares of companies, deposits in banks and in money-lending. Traders as a rule invest their surplus in trade and only very rarely in the acquisition of immovable property.

Labourers will have very little to save after maintaining their families. The first three classes also invest a portion of the surplus in jewellery and of late big farmers are spending much for elections to local boards, etc., the figures generally going up to several thousands in some cases.

Some big farmers lend to fellow agriculturists charging interest from 12 to 18 per cent generally and in rare instances from 9 to 12 per cent. They invest their surplus in a prosperous year in the purchase of new land. No information can even approximately be given of the amount, growth and distribution of capital among the indigenous population.

4. Cheque habit is only a plant of recent growth and the abolition of stamp duty gave it an impetus, but the habit is still confined to urban areas. Only the educated classes consisting of the members of the various

professions, Government servants, and merchants are using cheques. A more extensive use of the cheque habit cannot be promoted unless there is (1) a net work of banking institutions prepared to cash cheques established throughout the country at various centres and (2) unless the vernacular scripts of the country are recognized for the purpose by all the banking institutions. Vernacular cheques are already in use in some of the joint-stock banks and co-operative banks in towns but they have not yet extended to villages.

Government servants and other employees drawing Rs. 300 and above per mensem may be paid their salaries by cheque and in the case of those drawing below that sum only if they so desire.

5. From time immemorial there was indigenous banking and investment habit in India as evidenced by the fact that India had commercial relations with foreign countries and exporting to and importing goods from them. But it must be admitted that the banking habit in India has been of very slow growth. The causes are: (1) want of facilities for investment in rural parts, (2) illiteracy of the masses, (3) want of industries absorbing capital, (4) want of proper communications, (5) inability of the masses to save owing to the productive capacity of the ryot not having been improved, and (6) the growth of bogus companies without proper control over them. As to the possible means of educating the people of the country to invest their savings in productive undertakings the following suggestions may be made:—

(1) Regular propaganda amongst the masses by men specially trained for the purpose for inculcating the habits of thrift and investment should be undertaken by Government.

(2) Co-operation should be made a compulsory subject in elementary and high schools and an optional subject in colleges.

(3) The introduction of compulsory provident deposit system to members of rural co-operative societies as was in vogue in the early stage of co-operative movement. The subscription for this fund may be annual and may bear a certain proportion to the number of shares a member holds in the society. These provident deposits may be invested in the central banks and not repaid or adjusted to the other dues of the members except when he leaves the society. Experience has shown that unless such a compulsory system is introduced people are not likely to learn the habits of thrift, and

(4) Co-operative banks must undertake to purchase stocks and shares and other securities.

In this connexion it must be stated that the habit of investment is being retarded by the growth of mushroom banks (calling themselves joint-stock banks) in recent years. They are presumably registered under the Indian Companies Act and they are supposed to be controlled by the Registrar of Assurances of the district. This control I regret to say at present consists only in the enforcement of certain annual returns from the banks without any attempt to get into touch into the methods of their working or of their attracting their share capital and investing it in proper securities. The result is bogus companies with high-sounding names and with big advertisement in the local newspapers luring innocent people with offer of loans at very cheap rates with 1 per cent interest per annum and even with no interest are springing up in parts of the country and are disappearing after making whatever earnings they could in the brief span of their existence and without the promoters being booked. The small investor who cannot distinguish between a genuine and a bogus concern to put in his moneys is losing his confidence in banking institutions and is afraid to take any more risks. The working of the Companies Act has therefore to be put in a more efficient basis if necessary by having these joint-stock banks under a separate department of Government with a qualified staff for a periodical inspection of their affairs.

The opening of new branches of the Imperial Bank of India in recent years has certainly resulted in the expansion of banking business and trading operations. The branches were also of great assistance to local co-operative banks and societies for remittances and overdraft accommodation. They were also of great help to the big ryots who took large amounts on the pledge of produce stored in their godowns. But after all the Imperial Bank is an institution working for profit and rightly so. What is wanted in the interests of Indian agriculture, trade and

Industries is a central reserve bank which does not work for profits but whose function should be to control the currency and credit of policy of Government, to exercise proper check on the working and policy of the constituent banks assisting them when necessary, to safeguard the investment of depositors, and to create a sense of security in investors for where there is no confidence in the soundness of the institution there can be no investment.

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స॥

యారోజున మీపయికి మ-రా-రా-శ్రీ _____

గారి ఆర్డరుకు

యివ్వగలందులకు అక్షరాలా _____

కు

ముదే హుండిగా వ్రాయించినా ము గనుక తమ తావుకురాగానే యే అభ్యంతరము చెప్పక నా పాయలు చెల్లించి యందు పీటీని చెల్లు వ్రాయించి వుచ్చుకోవలెను.

చిత్తగించవలెను.

Rs. _____

దసరాతు

No. _____

బెజవాడ,

ది _____ 19

మ-రా-రా-శ్రీ _____

గారికి.

వి॥ అద్దేపల్లి వెంకటప్పయ్య _____

త॥

యారోజున మీపయికి మ-రా-రా-శ్రీ _____

గారి ఆర్డరుకు

యివ్వగలందులకు అక్షరాలా _____

కు

యదే హుండిగా వ్రాయించినా ము గనుక నమ తావుకురాగానే యే అభ్యంతరము చెప్పక నా పాయలు చెల్లించి యందు పీటీని చెల్లు వ్రాయించి వుచ్చుకోవలెను.

చిత్తగించవలెను.

Rs. _____

దసరాతు

(Translation)

To

M.R.Ry. Garu,

As I, Addepalli Venkatappiah, am sending this hundi requiring you to pay to the order of M R.Ry. Garu, the sum of Rs. in words So, please pay the amount on receipt of the same without any objection whatever and take it back after getting it endorsed on the reverse.

Rs. _____

Yours,

Signature.

Date _____ Bezwada, 19

No. _____

Bezwada,

Dated _____ 19 _____

Rs. _____

Addapalli Venkatappayya, Bezwada.

On demand please pay to _____

the sum of Rupees _____

for the value received.

To _____

Signature.

MAJEEY SUBBIAH SONS & Co.,

Peace goods merchants

No. _____

Bezwada,

Dated _____ 19 _____

Rs. _____

Addapalli Venkatappayya, Bezwada.

On demand please pay to _____

the sum of Rupees _____

for the value received.

To _____

Signature

No. _____

Bezwada, _____ 19 _____

Rs. _____

On demand please pay to _____

or order the sum of Rupees _____

To _____ only for value received

ANDHRA ENGINEERING
COMPANY.

Proprietor :—C. V. REDDI, B.A.,

No. _____ Bezwada, _____ 19 _____

Rs. _____

On demand please pay to myself or
order at the Imperial Bank of India at

the sum of Rupees _____

for value received as per R. Receipt

No. _____ dated _____

19 _____ attached herewith.

Andhra Engineering Co.,

To _____

Proprietor.

ANDHRA ENGINEERING
COMPANY.

Proprietor :—C. V. REDDI, B.A.,

No. _____ Bezwada, _____ 19 _____

Rs. _____

On demand please pay to myself or
order at the Imperial Bank of India at

the sum of Rupees _____

for value received as per R. Receipt

No. _____ dated _____

19 _____ attached herewith.

Andhra Engineering Co.,

To _____

Proprietor.

APPENDIX

Statement showing the progress of the Gudlavalleru Co-operative
Land Mortgage Bank, Ltd., No. H. 700, Kistna district.

Date of registration and starting—3rd October 1926.

Number of villages (almost all) within a radius of 6 miles)—46.

Item.	1925-26	1926-27.	1927-28	1928-29.	Up to 18th Octo- ber 1929.	Remarks.
1. Number of members.	74	136	212	275	292	
2. Authorized share capital .. Rs.	20,000	20,000	40,000	40,000	60,000	
3. Subscribed share capital .. Rs.	2,690	12,010	23,050	31,700	34,300	
4. Paid-up share capital .. Rs.	2,690	12,010	23,050	31,700	34,300	
5. Borrowings—Debentures held by Government Rs.	10,000	34,000	50,000	50,000	50,000	
6. Debentures held by public .. Rs.	25,000	69,000	1,48,000	1,73,000	1,73,000	
7. Advances for debentures .. Rs.	.	..	..	24,500	49,500	
8. Number of debenture holders (Public) .	2	4	12	12	17	
9. Number of loans issued (Progressive).	34	118	202	275	280	Up to 5th August 1929.
10. Amount of loans outstanding Rs.	22,140	1,13,941	2,17,796	2,71,979	2,75,289	
11. Number of loans issued every year.	34	84	84	73	5	
12. Amount of loans issued every year. Rs.	22,140	94,318	1,10,816	89,413	5,300	
13. Overdues in principal ..		Nil.				
14. Overdues interest ..		Nil.				
15. Profit or loss—plus or minus .. Rs.	- 165	+ 287	+ 2,733	+ 4,491	..	
16. Reserve fund. Rs.	..	72	1,444	3,342	3,342	

Statement showing the progress of Vadlamannad Co-operative Land
Mortgage Bank as on 5th August 1929. (This is the first year
of its working.)

Date of registration and starting—9th October 1928.

Number of villages in the area of operations (all within a radius of 5 miles).	36
Number of members	105
Authorized share capital	Rs. 30,000
Paid-up share capital	8,140
Amount of debentures sold to the public	54,500
Do sold to Government	10,000
Advances received for debentures	8,000

Written evidence of the Tahsildar, Ramnad.

1.—Agricultural credit and credit facilities for small industries.

1. (a) The agriculturists obtain finance from local money-lenders.
- (b) No capital improvement is effected by the small farmer.
- (c) Loans from local money-lenders and sale of chattels.

Rates of interest charged range from 12 to 36 per cent per annum. No special period is stipulated. Usual form of security is pawn of jewels. Sometimes money is lent on immovable security in which case the period of repayment ranges from one year to five years. Advance on standing crop is very rare. Sometimes money is given by the local business men and commission agents to their usual customers who sell their produce. There is no advance on the standing crop as the standing crop is not held as security.

The agriculturist usually goes to the money-lender. Neither the Government nor the banks are of any use to him. He is not in touch with him. Their constitution, mode and extent of operation are not familiar to him. Further the security he can give is of no value and the loan he requires is very small. All the existing institutions except local co-operative credit societies are ill-suited to his needs. But these do not thrive satisfactorily on account of various causes the chief among which are want of tendency to repay a loan raised and unscrupulous nature of the directors of several of these societies.

2. *Marketing principal crops.*—Marketing the produce is never a serious problem with the agriculturist for he never thinks about it seriously. The intermediary merchant and commission agents are always beforehand and they do it for him and secure a decent profit for themselves.

There is not sufficient human material available for forming selling organizations. In each district a central society will have to be started with sufficient funds to meet the requirements of the small farmers, gather all their produce and sell them at the best market.

In our parts negotiable instruments are not much in use. The only form known is "on demand promissory notes." These are not used much in business. This is the usual document obtained in case of loans.

3. *Value of land.*—Land values vary according to their quality and situation. The value of one acre of dry land is from Rs. 50 to Rs. 1,000. Similarly in the case of wet lands also.

In the zamin part the value of the land is affected by the cumbrous provisions of the Estates Land Act coupled with the unscrupulous nature of the zamin low-paid and catchpenny officials, chiefly karnams.

Some responsibility must be thrown on the landowner in the matter of reorganizing change of ownership either by act of parties or by operation of law. As matters stand, the position of a private purchaser of land and other owners of land whose ownership is not registered is in a precarious condition.

4. There is no land mortgage bank.

5. No accurate estimate of rural indebtedness is now available nor could one be had without making a detailed enquiry in each village. The load of debt in village parts is growing heavier day by day. This usually hampers efficient farming. Judged by their past, the farmers have nothing to hope for the future. So they lead a sort of day to day existence without any idea or thought about the future.

6. There are no subsidiary industries, ginning and hand-spinning can be introduced. Owing to scarcity of water, garden crops are not raised. Boring of wells will help the cultivators to raise garden crops. But the relationship between the landlord and tenants is not satisfactory and the tenant is not prepared to make any improvements to his lands and share the profit thereof with the landlord.

7. Owing to a series of bad harvests, the farmer had lost all he had. Even the cattle that is now available is of inferior breed, stunted in growth and weak. Their power of resistance against disease is very little. Absence of good cattle is a reason why improved ploughs are not much in use. Land also has reached a stage of minimum production. There is no use in giving facilities for borrowing and reducing the rate of interest.

Introduction of scientific farming, increased sources of water-supply, cheap loans with easy facility for instalment payment extending over a fairly long period ranging from ten to twenty years, education more suited to the country and help by the landlord to the tenant—all these should go hand in hand. Otherwise there is no use.

II.—Indigenous banking.

Except in cities and busy towns there is no real banking. Only money-lenders lend money.

III.—Investment habit and attraction of capital.

The earning capacity of an average Indian is very low. There are only very few who are able to save anything. Even among them the habit of depositing money in banks has not developed much. There is a craze for investments in landed property and in jewels.

Written evidence of the Tahsildar, Sivaganga.

I.—Agricultural credit and credit facilities for small industries.

1. This is a zamindari taluk. There is only one resumed inam village; all the rest are zamindari or whole inam villages. In the zamindari villages the tenure that obtained hitherto was warrapat, i.e., division of produce and this tenure continues in some villages even now. According to this tenure, the zamindar who is the melvaramdar, takes half of the produce. From the remaining half, the ryot has to meet all the expenses of cultivation and improvements. No deduction is allowed for increased output on account of improvements by ryots. Hence there is little incentive on the part of the ryots to effect any improvement on the lands. Hence cases of indebtedness for capital and permanent improvements such as sinking of wells, etc., are not many. In some of these cases money is provided from savings or earnings of some members of the family in foreign parts such as Burma, F.M.S., or Ceylon, in others by hypothecating or mortgaging lands or other immovable property.

In many of the zamindari villages the warrapat system has been recently substituted by *teerua* or money-rent tenure. The ryot pays rent according to a settled rate and enjoys the entire produce. This is bound to encourage the ryots to effect permanent improvements to the land, but due to successive failures of season and combination of some other adverse circumstances the money-rent system has not yet found favour with the ryots.

As regards whole inam villages, each village is divided into a number of small shares so that there are very few large holdings and many of the shareholders are absentee landlords. Here also there is little incentive towards permanent improvement.

Except the villages adjoining the Vaigai river, the bulk of the villages are not served by any large scheme of irrigation work and wells are few. Cultivation depends upon rain and rain-fed tanks and is not attended to with zeal.

For cultivation expenses money is generally obtained by the needy by executing promissory notes or by bonds by which he agrees to pay a certain quantity of the produce, and for special needs by mortgaging or hypothecating lands or other immovable property.

Interest charged for short-term loans advanced for cultivation is generally high, viz., 12 to 24 and even 30 per cent; when a loan is repaid in kind the resulting rate of interest may sometimes go higher. The period is generally limited to the harvest season. In other cases the rate of interest ranges from 12 to 24 per cent and the period from one year to five or seven years.

Occasionally Government lends money in accordance with the Agriculturists Loans Act and the Land Improvement Loans Act, but such cases are few. The Imperial Bank of India and joint stock banks play no part. Co-operative societies lend money in some cases. Merchants, dealers and companies take no important part. The main agency is the professional money-lender.

No.

The interest charged is heavy and particularly so in the short-term loans. In not a few cases the lands and other immovable properties hypothecated or mortgaged are not redeemed at all. The main reasons are the poverty of ryots and the absence of approved and reliable banks. Establishment of land mortgage and agricultural bank and co-operative credit societies will partly remedy the defects but greater attention should be paid to the improvement of the irrigation system and the tenure of land,

•No; there is no such scope.

2. The principal crops are paddy, ragi, varagu, vali, maize and dhol and pulses and cotton. Cotton is taken to the railway stations. The output in other crops is not sufficient to export to other places and the produce is taken to local markets and adjoining important towns.

It does not appear to be feasible here to any great degree.

Vide answer given above.

There is no foreign trade.

No appreciable part is played by any of these agencies.

The facilities are—

(a) Post (money order and insurance).

(b) Cheques and hundis.

(c) Facilities afforded by treasuries such as supply bills and R.T.Rs. (These are absent in this taluk.)

Cheques and hundis are sometimes dishonoured due to deceit on the part of the drawers. No suggestion.

Cheques and hundis do of course play an important part.

No suggestion; the duty on cheques has already been abolished.

Vide answer to II 4.

No.

The hundis are discounted by commission agents who send them to the drawees for encashment and rarely to provincial centres.

No such system prevails here.

No such system prevails here.

No such system prevails here.

No such system prevails here.

3. No uniform rate can be given. In dry lands there are red soil and wastes worth as low as Rs. 30 per acre and fertile lands worth Rs. 500 to Rs. 700 an acre. The price of wet lands ranges from Rs. 100 to Rs. 500 per acre and Rs. 1,000 per acre. In villages served by the Vaigai river the following may be taken as general averages subject to alterations:—

	RS.
Paddy growing land costs	300 per acre
Cotton growing land costs	250
Vali, varagu, dhol, cholam, etc.	100
Betel, plantain	750

The factors affecting the value of land are fertility, communications, irrigation facilities and land tenure. Sales of land for Government revenue are practically nil. The above rates may be taken for private negotiations. Rates obtained in court auctions will be less than these rates.

4. There is no legal impediment. There are no such banks.

I have already described it in paragraph 1.

I have no suggestions.

(a) A register may be maintained by the bank showing all immovable properties belonging to the members. A duty may be cast on every member to report all acquisitions, alienations and encumbrances relating to himself within a stated period on pain of forfeiture of the benefits of the bank and provision may be made for awarding rewards to members and non-members bringing omissions to notice after the said period. This may be helpful for ready reference but will not of course take the place of an encumbrance certificate by the Registration Department.

(b) Arrears may be made recoverable by the Revenue Recovery Act.

(c) No suggestion.

From all the three sources. Debenture bonds should carry Government guarantee for principal in the first instance. If there is not sufficient response, then the question of guarantee for interest may be considered. But Government should have power to guarantee both.

Precautionary methods—Government audit.—Power to issue debenture bonds may be given only after certain number of years, financial stability.

Constitution of a reserve fund amounting to a certain proportion of (a) the total debenture bonds, (b) total liabilities.

If necessary, there should be statutory guarantee for a certain proportion of the assets of the bank in case of liquidation.

The bank may be disqualified from entering into contracts involving liabilities individually amounting to or aggregating in a year to a certain amount.

Interest charged by the bank should be as low as possible but sufficient to cover the working expenses with a reasonable margin.

5. No.

Registration, Co-operative and Income-tax Departments may perhaps be able to give a reasonably accurate estimate.

(a) The Registration Department may afford help in the matter.

(b) Civil courts may furnish figures of the sales effected by them.

It is not possible to state for which of the purposes (a) to (i) the debt was incurred.

The creditors are the indigenous bankers and professional money-lenders.

The rates of interest have already been given. Interest is simple as well as compound.

There are several such cases.

Not necessarily, but expensive or permanent improvements will of course be avoided.

6. Rice-milling is done only for domestic consumption and sometimes for daily wage. Dairy-farming worth the name is not carried on by agriculturists due to lack of capital and want of pasture and fodders. Advance of loans and demonstration farms may prove successful for encouraging gur-making.

Garden produce is generally grown where water is available. Advancement of loans for wells will improve gardening. There are no cotton ginneries or sugar refineries nor is there any hand-spinning.

The following enterprises may give employment to the farmer during the off-season:—

(a) Cotton ginneries, charka and handloom.

(b) Sugar refineries.

(c) Coir (palmyra and coconut) industry.

(d) Finding out springs of water and sinking wells in large numbers to enable second crop cultivation during summer.

There should be private enterprises, demonstrators appointed by Government, local bodies and panchayats and State-aid and advancement of loans by agricultural banks.

6-A. Such industries are not undertaken by agriculturists nor are they carried on in this taluk.

7. I have no information and, therefore, I have no suggestions to make.

II.—Indigenous banking.

1. The indigenous banker lends money on interest for agriculturists, traders and others.

2. He lends money on promissory notes and hypothecation or mortgage of immovable property.

3. (a) The amount of capital varies from Rs. 5 to Rs. 30 thousands. But usually a surplus capital of about Rs. 5,000 to Rs. 50,000 and sometimes a larger amount is placed at the disposal of the business and it is treated as a loan from the banker himself to the business and is allowed interest at the market rate. Profit and loss account is struck on the ordinary capital, i.e., excluding the surplus capital.

(b) Rs. 10,000 or Rs. 15,000 on the average a month.

(c) About Rs. 400 per mensem on the average.

(d) These bankers lend money to one another also to meet necessities. They borrow money from the Imperial Bank and at times stock banks. They do not appear to have much relation with co-operative banks.

4. Hundis are of two kinds, viz., those payable at sight and those payable with interests till the date of payment. The number of the former is limited and is used only in relation with companies. The hundis are payable to the payee or order. Cheques payable to the payee or order are drawn generally upon banks with which the indigenous banker has

dealings. Promissory notes dealt with by them are ordinarily payable on demand to the payee or order. Deposit receipts are granted on blank paper ordinarily bearing the seal of the banker and where necessary stamped with one anna postage stamp.

5. Vide answers to questions 1 and 2. Short-term loans to agriculturists are made repayable at the time of gathering the produce of the land. Interest is got in money or in kind. Such loan to traders are repayable on or within a specified date with the accumulated interest or the interest is deducted from the principal at the time of granting the loan and the principal is made payable in a certain number of equal instalments and no interest is allowed on the instalment repayments, e.g., a loan of Rs. 2,000 at 12 per cent repayable in 10 months' time is granted, the interest comes to Rs. 200; this amount is deducted from the amount advanced, viz., Rs. 2,000 and only Rs. 1,800 is paid, the debtors pays back Rs. 200 each month for 10 months and he gets no interest on these instalment repayments. Such loans are also repayable by daily equal instalments in the same manner. Merchants, hotel-keepers, etc., find this method of repayment apparently easy; they pay out small sums from daily sales. The real interest resulting is very high. Long-term loans are granted on agreed terms.

They—

- (a) have capital of their own,
- (b) receive deposits at lower rates of interests,
- (c) borrow from Imperial and other banks, and
- (d) borrow from one another.

As regards interest on item (a) vide answer to question 3^a (a); for (b) they allow 6 to 7½ per cent and very rarely up to 9 per cent; for (c) of course they pay bank rates; and interest on (d) depends upon the state of the market on the day and the necessity of the borrower.

6. 12 to 24 and even 30 per cent.

By the establishment of land mortgage and agricultural banks and co-operative societies.

Yes, to a great extent.

Yes, as regards the high rates of interest charged.

They have the protection of the ordinary civil law.

If the indigenous banker is unable to repay the Imperial and time stock banks on the due date, the fact becomes at once known to all his creditors and all of them demand their dues back and his business fails. If they are helped at the times of these difficulties so as to avert the general demand they will in most cases re-establish their credit.

Yes. Generally.

Vide answer to the third subdivision above.

8. If the rate of interest is limited by law, the agriculturists will be benefited.

I have no suggestion to offer.

The indigenous banking community will be averse to the introduction of any measures for regulating their operations and for giving publicity to the same.

9. About 12 per cent on an average.

10. There are of course cases of refusal on account of the unacceptable nature of the security offered. These bankers are otherwise able to meet all demands but instances of tightness of the money market are not rare.

11. I have no suggestions.

12. There are no such cases.

III.—Investment habit and attraction of capital.

1. The institutions are postal savings banks and indigenous banks. The bulk of the population are poor and have little to invest. Small savings are converted into ornaments. Next comes purchase of land which is considered to be the best form of investment. Banks and such institutions are resorted to only by the wealthy and the educated.

2. Not very popular. No measures will be successful so long as people are illiterate.

Revision of interest will not result in an appreciable increase in the demand.

Savings banks where they exist afford all facilities but the rate of interest is too low and people are uneducated.

Mainly the English educated people resort to savings banks.

Education must precede other steps.

No.

3. Through treasury. No special facilities will be successful in the present state of literacy.

There are no such securities here.

Vide the first sub-paragraph above.

Yes, sometimes at market rates on hypothecation or on mortgages. Surplus money, if not spent in ornaments or marriages or other celebrations, will be invested in additional lands.

4. There is no cheque habit among the agriculturists. It is prevalent among Nattukkottai Chettis and other wealthy gentlemen.

Cheques are extensively used after the abolition of the stamp duty.

Payment by cheques may be made to Government servants drawing more than Rs. 150.

Nil.

5. Yes.

Poverty and illiteracy are the causes.

The people can be educated to invest their savings in productive undertakings by—

(a) propaganda by Government agency, and

(b) devising means by which persons not otherwise qualified as voters for Legislative Councils and Assembly and local bodies will become voters by virtue of possession of such Government securities.

There is no branch of the Imperial Bank here.

Written evidence of M.R.Ry. S. KRISHNASWAMI AYYANGAR
Avargal, Tahsildar, Tirupattur.

I.—Agricultural credit and credit facilities for small industries.

1. (a), (b) and (c) The agriculturist borrows from Chettis and other professional money-lenders and sometimes from co-operative credit societies. Rate of interest varies from 12 to 18 per cent. Loans are advanced generally on mortgage of lands and in rare cases on pro-notes.

2. The principal crop is paddy which is carried in handies and sold in weekly markets.

3. The bulk of the cultivable land is wet in this taluk and the value of dry lands depends on their situation and their fitness for building purposes in Chettinad. Dry lands have very little value as agricultural lands. The value of wet land varies from Rs. 1,000 to Rs. 1,500 per acre and of dry lands for building purposes varies from Rs. 2,000 to Rs. 3,000 per acre in Chettinad and for agriculture from Rs. 100 to Rs. 150 per acre.

4. No.

5. It is not possible to estimate the indebtedness and answer the other points without a detailed enquiry in villages.

6. There are no industries among the agriculturists. There are few rice hullers used by Chettis.

7. No such bank as far as I can see.

II.—Indigenous banking.

There are no money-lenders keeping bank on banking principle. I have no remarks to offer on the other points.

**Written evidence of M.R.Ry. H. S. PAUL Avargal, B.A.,
Deputy Tahsildar, Tiruvadanai.**

1.—Agricultural credit and credit facilities for small industries.

1. The system prevailing in this taluk to get financial help by the agriculturist is as follows:—

(a) For expenses during cultivation such as purchase of seeds and cattle, etc., the agriculturists resort to the local money-lenders and capitalists in every village for simple loans which are obtained on pledge of jewels or on pro-notes or sometimes on oral promise by the debtors according to their position and status.

These simple loans are advanced for interest varying from 12 to 18 per cent per annum, the principal being repayable with interest within a period of 6 to 8 months, sometimes a year. In many cases the landowners and agriculturists obtain loans of small amounts from the money-lenders in their villages for interest in kind. Such loans are repayable immediately after the harvest is over with interest in kind, i.e., at 1 to 2 kalams of paddy of 90 measures per kalam or other kinds such as ragi, etc. Usually this kind of transaction may bring to the money-lenders a higher rate of interest than the cash interest of 12 to 18 per cent. This system may be said to prevail in many villages in this taluk. The agriculturists seem to be content and satisfied with this system in the absence of other financial help.

(b) For capital and permanent improvements such as reclaiming lands, building houses, repairing tanks, etc., loans are obtained on the pledges of landed or house properties as the case may be.

These loans are invariably advanced on registered bonds. The interest charged are from 9 to 18 per cent. The rate of interest is reduced in inverse proportion to the amount advanced. If the loan amount be small, say below Rs. 500, the rate of interest will be high. The period of repayment also in such cases varies from 1 to 5 years or more.

(c) For other special needs such as failure of monsoon, payment of land revenue, purchase of agricultural implements, etc., the system of obtaining financial help is as described above against item (a). When the season is favourable and there is a satisfactory harvest the local money-lenders advance small loans for payment of land revenue, etc., on the security of the harvested produce or in expectation of the produce on the land for a short period until the crop harvested finds a reasonable price in the market. The interest on such loans is also from 12 to 18 per cent. This last system proves a more useful transaction to the money-lenders than the other two ones, as invariably they meet with no disappointment and failure in this last system.

The part played by Government in rendering help to the agriculturists is on the principles laid down in the Madras Takavi Manual. This help does not extend to the needs contemplated in (c) above, i.e., for other special needs, etc. In spite of this help offered by the Government to the agriculturists, the ryots do not very often avail themselves of the benefit either owing to ignorance of the rules or owing to the incidental difficulties in obtaining a loan from the Government.

The Imperial Bank of India has been of no help to the poor village agriculturists and their transactions are restricted only to the rich Nattukottai Chettis, money-lenders and proprietors of Devakottai and other villages.

There are no joint stock banks or indigenous banks and bankers in this taluk. There are co-operative banks both rural and urban in this taluk (one in Devakottai, one in Tiruvadanai, two in Tondi, one in Thiruvattiyur, one in Manakkudi and so on).

These banks are of help only to the members of the banks in their local areas. The agriculturists are at liberty to enlist themselves as members in these banks and avail themselves of the benefits. The interest charged in

these banks is As. 13-7 per month per cent or Rs. 10-1-4 per cent per annum. But generally, this benefit is availed of only by professional money-lenders, merchants and dealers who benefit themselves by advancing small loans to the poor agriculturists at higher rates of interest. There is no data with me to give an approximate estimate of the total amount of capital required for the various purposes stated above.

The defect in the present system is that the ryots have to pay a high interest to private money-lenders which can be avoided if the activities of the co-operative banks are still further extended. As for co-ordination among credit agencies, I find it exists among private bankers and money-lenders, the Government and the co-operative banks.

2. *Method of marketing principal crops.*—The principal crops of this taluk are paddy, ragi and varagu. These crops are, from villages in the interior of this taluk, taken to the weekly markets for sale, in bullock landies. The local merchants, I understand, allow credit to the agriculturists on promise of supply of agricultural products after harvest. The conditions of such credit are no doubt to the advantage of the creditors. Rangoon paddy is imported into Tondi and sent to various markets in this taluk and to other taluks and Chettinad also by local merchants. The chief conveyance for marketing this crop is bullock carts. The products of this taluk are not quite sufficient for the consumption of the taluk and as such I do not consider that there exists a favourable condition in this taluk for undertaking an internal trade on co-operative basis.

Devakottai in this taluk is a big banking centre. To facilitate internal remittances, sight hundis and voidah hundis are in prevalence. This system is understood to be working well requiring no modification. The hundis emanating from Devakottai are discounted in local centres also, sent to Madras, the provincial centre, as also to Ceylon, Burma, Singapore and other foreign centres and discounted there.

They are held by middlemen, merchants and commission agents.

I have no suggestion to offer for the amendment of the Negotiable Instruments Act.

3. (a) At Government auction for non-payment of arrears.—Generally there is no competition for such sales for want of bidders and very low amounts are realized at Government auctions.

(b) *Sale by Court decree.*—This also does not fetch the reasonable and real value of the land. The price offered is fluctuating and depends invariably upon the decree amount. In most cases the decree holder stands as bidder offering more or less than the real worth of the land.

(c) Purchase by private negotiation is the only correct basis of the land value—wet lands sell at Rs. 500 to 1,000 per acre and dry lands from 50 to 250 per acre. The variation of course depends upon the irrigation facilities and the richness of the soil.

4. *Legal impediment to mortgage of land.*—Nil. But there are some religious service inam villages and charitable inams whose alienation is restricted by law and the agriculturists and landholders who own them, have got only a limited interest on them.

There are no mortgage or agricultural banks for the provision of long term credit in this taluk. But if such a system is introduced it will be welcomed by the tenants.

5. The information for this question cannot be furnished at such short notice. Some of the points can be gathered from the Registration Department.

6. *Subsidiary Industries.*—There are rice mills in Tondi, Puliya, Pernavakottai, Devakottai and Kannangudi. There is garden produce in some parts. There is ample scope to improve garden produce if there be sufficient and timely rains. Cotton crop is available and it is being taken to Madura for ginning. A ginnery in this taluk centre will be advantageous to the cotton growing villages of this taluk. Hand spinning and

Weaving may give employment for the farmer. There must be co-operative agencies to supply the raw materials and to gather the worked products and to market them.

6. (a) Fishing industry is prominent in the coast villages of this taluk. Poor people having no landed property mostly live upon it. There are three salt factories in this taluk—Vattanam, Theethandathanam and Manakudi which supplement agricultural income.

II.—Indigenous banking.

There are numerous such banks—receiving deposit and issuing hundis—at Devakotta and other Chettinad villages. These bankers lend money to private persons to a small extent. The agriculturists do not appear to be appreciably benefited by these banks. These banks help to some extent industry and trade outside this taluk. As I have stated above these banks have hundi transactions with the provincial centre and also with foreign countries such as Rangoon, Singapore, Penang and Ceylon. This banking system among the Nattukottai Chettis is working satisfactorily and the relation between one bank and another seems to be harmonious. Their relations with other banks in the country are not known. I regret I am not able to give a detailed reply to all the questions on this subject, which will be possible only on a closer study of the subject. As the time given for this report is very short, I am unable to make any enquiry on the subject.

III.—Investment habit and attraction of capital.

1. From enquiry, I understand that the majority of the agricultural population in this taluk are poor and they cannot spare anything from their agricultural income for investment.

2. The postal cash certificates are not popular in this taluk in view of the low rate of interest got from them. The savings banks afford all possible facilities to the public for investment. The Government officials and mostly persons employed in private services getting monthly salaries resort to this form of investment. Savings bank facilities may with advantage be introduced and extended to the smaller interior places also with a view to attract agricultural population also. The rate of interest also must be increased to attract popularity. Deposits in postal cash certificates and treasury bills can find favourable competition with banking institutions and bankers provided Government can afford to fix an attractive rate of interest.

3. The agricultural population in smaller interior places have no idea of investment in the Government securities. These people may be educated through village officers and revenue subordinates in such a way that they may feel that a small investment with the Government is surer and safer than an investment with the private bankers, etc. The amounts of such deposits may also be utilized in advancing small loans to the agriculturists during cultivation season.

4. Cheque habit is very rarely known among the agriculturists in the interior villages. It is prevalent only with the rich and mercantile population.

5. The very slow growth of banking and investment habit in India can be attributed to want of education. Instruction about them in schools will gradually improve the conditions and tend towards the growth of banking systems. Propaganda work by Government may also be done. Opening of new branches by the Imperial Bank of India has been of no material use to the agricultural population in the interior villages. They are useful only to the merchants, traders and high class people.

**Written evidence of M.R.By. C. SUNDARAM AYYAR Avargal,
B.A., Pleader, Devakottai.**

1.—Agricultural credit and credit facilities for small industries.

1. I confine myself to the condition of the agriculturists in this part of the district of Rannad which consists of the big estates of Rannad and Sivaganga and minor estates of devasthanam, chatram and dharmasanam or inam villages. Agriculture in this part of the district is not carried on in any regular or systematic manner. The south-west monsoon never reaches this part of the district. Hence the months from April to August are generally dry with no opportunity for the ryots to raise any profitable crop. The north-east monsoon also is not constant and the ryots cannot hope to raise any particular crop at the proper season. He has to drift and adjust his agricultural operations according to the freaks of the monsoon. All the villages in this part are provided with irrigation tanks which are the only source of supply to the wet ayacut of the village. There is no river to guarantee any assured supply of water at the required season. Local rain, if profuse, will bring water in the rivers and augment the irrigation tanks fed by such rivers. There are other parts of the district where we have no such jungle rivers and the supply of water to these irrigation tanks depends on the surplus water of the tanks above. The irrigation tanks are so economically designed in ancient times that the surplus water of the tanks above is the source of supply to the tanks below without allowing the surplus to get into waste or damage the lands through which it has to pass. This is the only irrigation system obtaining in this part of the district. Most of these irrigation tanks are in utter state of disrepair.

Finance.—(a) Ryots borrow at heavy rates of compound interest and also on condition agreeing to pay one-fourth more in kind at the harvest season than the quantity of grain borrowed at the cultivation season. Even this kind of loan is not freely available to the ryots at the time of the cultivation season and the zamindars never help the ryots in this direction. Hence in every village about half of the wet lands are allowed to lie fallow.

(b) For capital expenditure there is no finance available to the ryots. There are no banks advancing loans to the ryots. The sinking of wells and installation of oil-engines are the only profitable purposes for which ryots can go in. There is no sufficient supply of spring within a reasonable depth, so that the ryots may use the country picottah. The outlay in this direction will materially help the ryots. The ryots can raise the required seedlings with the help of well water during August–September and when the north-east monsoon sets in in October, the ryots can proceed with the transplantation of the seedlings already ripe. Now in the absence of such wells, the ryots have to raise the seedlings also only in October and consequently the transplantations have to be commenced only in November and the shortage of water is generally felt during December, January and February, if the monsoon is not favourable in those months. The Government is not granting any loan at all to the ryots or the small landholders to undertake any such enterprise. Agricultural banks, if established at each Government taluk, will materially help the ryots in this direction.

(c) If there is failure of monsoon, most of the ryots find no employment here whatsoever and they emigrate to Ceylon, Burma and Straits Settlements, leaving only the aged people in the house and they return only after the season becomes favourable. The ryots in such famine years are not able to pay the rents due to their landholder and the lands are sold for a nominal price for arrears of rent and they are purchased generally by the landholders themselves, making the ryots responsible for the balance of rent. The labour in foreign countries is not profitable except the fact that the emigrants are able to keep their body and soul together, during the time they work there, and they do not return here with any sufficient savings to meet at least the demands already incurred here.

There are no money-lenders here from whom the ryots can have loans easily. The Nattukottai Chettis do banking business only outside the district. Some ryots borrow from individual Udayars (an agricultural class).

comparatively in a better position than other ryots, at rates varying from 12 to 18 per cent on the security of their lands and some raise money by the sale of their lands.

There are no banks of any kind here lending money to ryots. The co-operative banks at Devakotta, Tiruppattur and Sivaganga do not lend anything to the ryots nor does the Government advance any loan to the ryots in the zamindari areas.

The Government with the advice of the Industries Department can help the ryots by advancing loans for boring wells and the supply of pumping engines. Six lakhs for the three taluks may be sufficient to begin with.

2. Regarding the marketing of crops, rice is not exported to neighbouring districts as the supply is not even sufficient for the demand here. On the other hand rice from Madura, Tanjore and Trichinopoly are imported here in large quantities. Only in coastal villages some rice is exported to Ceylon. The other crop that requires marketing is the country cotton grown in large quantities here. Some middlemen go into the interior of villages, purchase the cotton very cheap from the growers in retail and send them in bales in country carts to Madura, Aruppukottai and Sattur. If the Government can advance a loan to any individual for the establishment of a mill in Tiruvadanai taluk for ginning and spinning the cotton grown in the neighbourhood, this will considerably advance the position of the cotton growers and also provide employment to ryots during the summer months, when the ryots have no work.

3. (a) This part being zamindari tract, no land is sold by Government for its revenue.

(b) Lands are generally sold for a less value in court auction.

(c) The price of wet and dry lands varies very considerably in private negotiations according to the nature of the demand. The value of lands near Chettinad and sea coast are comparatively higher than in other parts.

4. Land mortgage banks advancing loans to the ryots with provision for long term credit, say 10 years, are absolutely necessary—at least one such bank for each Government taluk. Landholder's rent being the first charge on the ryot's holding, the loan by agriculture banks may be made the second charge on the holding, giving preference over other private loans advanced subsequent to the establishment of such banks.

5. An estimate in this respect is impossible. Now, for the present, loans may be advanced to such ryots who have not encumbered their lands previously on the security of their lands.

Debts are contracted by ryots for all purposes except (h) and (i). Such debts are due only to private money-lenders.

The ryots in this part have yet sufficient lands left with them and if only the Government helps them, by advancing loans for the purchase of plough cattle, seeds, manure and improved ploughs every incentive will be created for better farming and more production.

6. There are no subsidiary industries of any kind. Cotton ginneries and hand-spinning may be profitably introduced here.

II.—Indigenous banking.

There is no such banking here. On account of the constant unfavourable season, no private individual ventures to do any banking business with the poor ryots as he cannot expect a quick return.

III.—Investment habit and attraction of capital.

1. The ryots are very poor and they do not invest appreciably in gold or silver jewels.

The other questions need no answer as the ryots are exceedingly poor.

**Written evidence of M.R.Ry. G. SUNDARAM AYYAR Avargal,
B.A., L.T., Headmaster, N.S.M.V. High School, Devakottai.**

1.—Agricultural credit and credit facilities for small industries.

1. What the Indian agriculturist requires for his improvement is capital. Capital is needed for using artificial and natural manure, for purchasing improved ploughs, for sinking wells, in places like the Ramnad district, where there is uncertain rainfall, and for selecting better seeds. The peasant requires money, that he may take care of his cattle better, that he may pay the land-tax in time, and that he may keep his body and soul together, when his produce fails.

India with its 300 crores of people has only 402 banking offices, while the United Kingdom with its population of 48 millions has 9,138. Japan with its population which is one-sixth of that of India has 2,103 banks, with about 3,000 branches. It is clear that the Indian farmer has to depend on the local money-lender for all his purposes. He pledges his produce or the land or the jewels, and the rate of interest ranges from 12 to 30 per cent, according to the circumstances under which the borrower goes to the moneyed man. The interest is often paid in kind, and in these cases the peasant has to deprive himself of the produce which should feed his family. Non-productive expenditure on marriages and law-suits has also to be incurred and the farmer is again driven to the money-lender. When indebtedness increases, the farmer leases his lands, or mortgages them, and it generally happens that he is not able to recover them and he joins the number of "lack-lands".

The Imperial Bank does a lot of business with its several branches. It acts as the banker for the Government and has the use of more than 10½ crores of public money. The bulk of the funds, however, consists of private deposits, the aggregate amounting to 80 crores. But, under the Imperial Bank Act of 1920, it cannot lend for a longer period than 6 months, or upon mortgage, except in the case of the Court of Wards. The usefulness of the Imperial Bank cannot in the nature of things reach the farmer in the village. The joint-stock banks, like the Indian Bank, Madras, also do not come in touch with the peasant.

The unlimited rural co-operative bank is the only agency which is of real help to the villagers. The rural credit bank lends money to the villagers in times of need. But the interest is more than 9 per cent in the Madras Presidency and the banks cannot grant long-term loans. Agricultural non-credit societies are also working. The total number of such societies is 2,298. Of these, 379 are for purchase and sale, 675 for production, 328 for production and sale, and 713, other forms of co-operation. Grain-banks have been started in some provinces in Behar and Bengal. These banks store the grains and sell them at profitable prices and distribute them to the members in times of need. In the Bombay Presidency, the Central Provinces and Berar, small societies purchase and distribute selected seeds. There are also societies for purchase of manure and for the supply of agricultural requisites in Madras and the Punjab. In Burma, we have societies for the joint sale of paddy, in Broach, Dharwar and Surat, for co-operative marketing of cotton. At Lyllapur and Montgomery in the Punjab there are co-operative ginning factories.

The co-operative movement has made headway in India. In 1926-27, the Punjab with its 20·7 millions had 14,148 agricultural co-operative societies, while Madras with 42·3 millions had 11,436. In Bengal with a population of 46·7 millions there were 13,954. The total amount of loans advanced to members by agricultural and non-agricultural societies during 1925-26 was Rs. 12,00,17,059 and Rs. 7,34,51,258 respectively. But looking at the number of all kinds of societies per 100,000 inhabitants, in Madras in 1926-27 we had 31·6; in the Punjab 79·9; in Bengal 33·0; while for the whole of India it is only 31·0. So, we have to admit that the co-operative movement has only touched the fringe of the problem of rural indebtedness in India.

In the Punjab, it has been pointed out that the average debt per individual proprietor is Rs. 463. In Bengal, it has been calculated that 45 per cent of the cultivators are in debt, and that the average debt of each farmer is Rs. 121. The Famine Commission of 1901 in Bombay pointed out that at least four-fifths of the peasants were in debt. In South India Mr. Slater found that nearly 75 per cent were in debt.

With a view to helping the Indian peasant in wiping off his heavy indebtedness and in improving his production, it is necessary that there should be a greater co-ordination among the various banks - the Imperial Bank, the joint stock banks, the co-operative banks, and the Government. In Bombay the Government has placed co-operative banks in possession of funds for being distributed to agriculturists, under the Land Improvement Loans Act and the Agriculturists Loans Act. The Imperial Bank and joint stock banks must take the co-operative societies as members and advance long term loans.

4. Above all, the starting of *land mortgage banks* must be encouraged by the Government. Such banks have been started in the Punjab. The Punjab Provincial Bank has issued long term debentures at 6 per cent to the extent of 5 lakhs. It is necessary that these debentures should be recognized as trustee securities and that the Government guarantees the payment of interest. It is only then that the 134.4 million acres of cultivable waste can be brought under cultivation. The lands already cultivated can be better cultivated, while the uncultivated lands can be purchased by the farmer, if loans are advanced for a long period.

The capital of the mortgage banks should largely consist of debenture bonds issued at 5 per cent. Deposits should be received at the same rate of interest and funds from central institutions like the central bank, the Imperial Bank and joint-stock banks should also be lent to the mortgage banks. The loans should be issued at 6 or 7 per cent. The Government itself must come forward to purchase these debentures and give the necessary encouragement. Provision for safety against loss can be made by direct supervision by the Government Co-operative Department and frequent Government audit and, above all, by providing for a proper place for the Government in the directorate.

6. *Subsidiary Industries.*- There is a great future for cottage industries in India. The farmer is idle for the major portion of the year. Vegetable gardening, dairy farming, and hand-spinning and poultry farming are some of the industries, besides hand-loom weaving, which have to be encouraged. It should be clearly remembered that any supplementary industry, which can put into the purse of the poor farmer at least one anna per day, should not be ignored. For the average daily income of an Indian has been calculated to be one anna and six pies. As in Mysore, in such cotton tracts as Ramnad, Tinnevely and Tiruppur, special officers may be deputed by the Government for the formation of co-operative societies for financing cottage industries like spinning and weaving.

II - Indigenous banking.

Private banks called 'Hundi firms' are working in many places. They finance trade mostly. The Nagarathars of South India are doing a lot of business. They receive deposits at 3 or 5 per cent and lend money at 12 to 15 per cent. They issue 'Hundis' and facilitate internal remittances of money. The 'Hundis' of individual firms are not sometimes discounted locally. Money is lent on personal security or on security of land or house. Some of the private banks also receive money from the Imperial Bank at 3 per cent and lend the same at profitable rates. The dealing of these banks with their clientele is not at all good. The banker is at the mercy of the unscrupulous agent. The interest amount for the stipulated period is deducted from the principal lent, in certain cases. Steps should be taken to utilise these banks for the public good. The branches of the joint stock or central banks with a local directorate can be established in each district and the indigenous banking system can be connected with the same.

III.—Investment habit and attraction of capital.

The indigenous organization like the 'Chit system' helps the villagers and the middle class townsmen in saving money. But there are also losses owing to dishonesty of the organisers. The co-operative society helps the people in some way. But it is regrettable that sufficient propaganda is not made among the members to stimulate savings. The members of the society must be made to feel proud of the recurring and fixed deposits amount than of their loans. The post office savings bank is of greater help to the middle class educated people in a town rather than to the people at large. The interest offered by the post office savings bank is very low. Still the total amount of deposit in the post office savings bank on 31st March 1922 was over 22 crores of rupees. The cash certificates are not yet popularized, because the interest is not paid periodically.

**Written evidence of M.R.Ry. M. R. SHSHA AYYAR Avargal,
Pleader, Devakottai.**

I.—Agricultural credit and credit facilities for small industries.

1. (a) By raising hand-loans whenever necessary.

(b) & (c) By encumbering their properties. At rates varying from 9 to 15 per cent. Hypothecation or mortgage with possession is given and accepted.

For aught I know, professional money-lenders, merchants and dealers alone advance loans in such cases and no help is rendered either by Government or banks in that direction in my district.

Estimate of the total amount of capital required for—

(a) Expenses during cultivation—Rs. 50,000.

(b) Capital and permanent improvements—Rs. 75,000.

(c) Other special needs—Rs. 1,00,000.

As there is no help from Government or from the Imperial or any other bank, professional money-lenders demand high rates of interest and are enriched at the expense of the poor agriculturists.

No one vies with the other in advancing loans at a higher rate of interest.

3. *Value of land per acre for different kinds of crops—*

Nanja with nanja crops—From Rs. 500 to Rs. 750 per acre.

Punja with various crops—From Rs. 100 to Rs. 250.

Failure of monsoon affects the value.

(a) Value of land in Government auction for non-payment of revenue—25 per cent less than the sum raised by private negotiations.

(b) Value of land in the event of sale by court decree. Fifty per cent less or even lesser than that raised by private negotiations.

(c) Value of land in purchase by private negotiation. Generally, the actual price.

4. There is no legal impediment. There are no such banks.

5. It is not necessary to reach an accurate estimate of the existing indebtedness of the agricultural classes.

The estimate required cannot be stated with reasonable accuracy.

(a), (b) & (c). The answers to these questions do not arise.

The debt is incurred for all the purposes enumerated in clauses (a) to (i).

The debt is entirely due in this district to professional money-lenders.

The rates of interest vary from 9 to 24 per cent according to the urgency of the demand.

In the case of professional money-lenders the interest at the rates agreed upon is calculated for one year and deducted from the loan advanced, and the balance alone is paid. No amount will be deducted if the debtor wishes to pay back the loan within one year for which interest has already been paid.

The payment is enforced only by a suit.

Yes.

Yes.

6. Small subsidiary industries, allied or supplemental to agriculture—

Rice-hulling and hand-spinning exist in this district.

No encouragement is needed for rice-hulling.

Dairy farming cannot thrive.

The soil is not suitable for garden produce.

There is no sugar plantation on a large scale here.

Cotton is produced on a large scale. There are not many cotton ginneries so as to consume the cotton produced. The existence of cotton ginneries and hand-spinning may enable the producer to get a better return.

Cotton ginneries will give some employment to the farmers.

II.—Indigenous banking.

Only professional money-lending firms exist.

1. They lend money at exorbitant rates of interest on pro-notes, hypothecation and on pledge of jewels.

2. No assistance whatsoever is needed.

5. By drawing moneys from their other firms in foreign parts or from the Imperial Bank at smaller rates of interest.

6. From 9 to 24 per cent.

By establishing co-operative credit societies and giving loans on very small rates of interest.

Certainly.

7. Yes.

Yes.

No necessity.

Yes.

8. Not possible.

By making laws and regulations regulating the rates of interest in the cases of loans advanced to agriculturists.

No special facility.

Hostile.

9. From 9 to 15 per cent income.

10. Not able to meet all the demands on both the grounds.

11. Not possible as the indigenous bankers will never consent to incur loss in the high income they are now getting.

12. Not so.

Not so.

III.—Investment habit and attraction of capital.

1. Private money-lending firms.

2. Not very popular as the rates of interest are not attractive.

Yes.

Yes.

The paid servants of Government whose savings are small.

Provided the rates of interest are increased.

There is no competition at all.

3. Paragraphs 1 and 2 are not answered.

By investing in private money-lending firms so that interest may accumulate.

Yes. By lending to their fellow-agriculturists or investing in money-lending firms.

5. Yes.

Written evidence of M.R.Ry. C. TIRUVENGADA MUDALIYAR
Avargal, Revenue Divisional Officer, Devakottai.

I.—Agricultural credit and credit facilities for small industries.

1. The question rightly presupposes the existence of poverty amongst the average agriculturist and amongst people who carry on small industries. At one time or other between one harvest and another, the agriculturist has necessity to go in for debts, small or large, according to his needs to make ends meet. The ryot in an estate is more adversely placed in this respect.

(a) Expenses during cultivation are usually met from petty loans taken from the landowner where the agriculturist is a tenant on an agreement, oral of course in most cases, to pay back the amount during the harvest season along with its interest. Where the ryot happens to be the landowner himself he goes borrowing from amongst his own class who are well-to-do, failing which, he goes to the petty shop-keepers or professional money-lenders who lend very small sums generally on pro-notes. This loan is repayable at the next harvest with interest, failing which, the interest and principal form the consideration of another pro-note. The rates of interest differ in various localities. The proximity of town tends to lower the interest as the lender knows that the ryot can go to a place in the town where he can get money at a lower interest. Generally the rates are between 12 and 18 per cent and nothing lower than this.

(b) For capital and permanent improvements, the agriculturist gets loans from Government at 7½ per cent repayable in instalments. Although the two Acts under which such loans are granted do not make any vast distinction between a ryot in ayan tracts and his brother in non-Government areas, yet in the practical working the ryot in an ayan tract has better facilities of securing this kind of help than a ryot in the other tract. The readiness with which the application of the former is met with expresses the better confidence that the ayan ryot has infused by his prompt repayments and the idea which is always present in the minds of the sanctioning authority that realization can be made with better facility and ease than in the case of the ryot of an estate. The nature of the tenure in the case of the latter is an impediment.

Besides the Government loan, the other methods of raising loan for capital and permanent improvements are by getting such loans from more well-to-do ryots and professional men. The latter if they happen to reside in the neighbourhood are fond of lending money on interest in kind, i.e., paying one or two kalams of paddy for every hundred rupees lent. This rate when calculated will exceed even 18 per cent interest. This again is payable annually and the lender will always have his eye upon the crop and the moment it is put to the sickle, the lender will be ready with his bags at the threshing floor. The other method is by going to the professional money-lender whose rate of interest is between 12 and 18 per cent and slightly less if the amount required is larger and the security offered more substantial and valuable.

(c) *Special needs and for land revenue.*—Answer to this is—by going to the professional money-lender. This class of loan is very common in these parts as the monsoon is almost always eccentric and its freak works great havoc amongst the agriculturists.

Except to the extent to which Government finances the agriculturist by takavi advances, other sort of help is rather meagre. Co-operative banks do some help now-a-days in places where the institutions are well-managed, which is a rarity; the other institutions do very little help to the ryot. Lacking help from such organized institutions the ryot is driven to the professional money-lender who is exacting in his terms.

An estimate of the total amount of capital required for various purposes approaching any idea of accuracy cannot be reasonably ventured.

The defects in the present system lie in the non-availability of other means of affording credit to these people and the general greed of the average money-lender. These can be averted by creating lending concerns preferably on a co-operative basis and promulgating laws against usury.

Co-ordination.—Nil.

2. Marketing crops.—Staple food crops are very rarely marketed outside the district and never to the countries abroad. The produce is not even sufficient for local consumption. For internal marketing co-operative effort will be the best. Each co-operative society in a village must have a common warehouse where produce to be sold should be stored and sold when proper prices are secured for the material. It is only when the ryot is pressed hard for money for his other expenses or for repayment of debt, he ever thinks of selling the grains in store. If he does not get a proper price for it, he finds it more profitable to sell the grain for whatever price is offered to it than to remain under the indignity of remaining a debtor. If in such cases there is any concern to advance money on the security of the grain, the farmer can find proper prices in due time and would be able to repay the advance with reasonable interest. By this means he can escape from the clutches of his debtor without losing a pie out of the fruits of his hard labour.

Hundis.—These are of two kinds. One is payable at sight and the other after the lapse of a specified time. These are discounted locally and are transmitted to the banks for adjustment in accounts. The discount is variable according as the hundi is payable at sight or at the end of specified periods and the response for discounting varies also with the standing of the drawer and the drawn firm generally.

Other questions.—No remarks.

3. Values of land.—The chief factors that go into a determination of the value of lands are—

- (i) Availability of land for sale.
- (ii) Suitability of the land for particular kinds of crops.
- (iii) Conditions of labour.
- (iv) Irrigational facilities.
- (v) Facilities for marketing the crop.

Assuming that all these conditions favourably affect the land, the value will be about Rs. 2,000 to Rs. 4,000 per acre. The value of the land is always less in respect of property situated in an estate where the sharing system is in vogue.

(a) **Government auction sales.**—Full value of the lands is not realized in these sales. Generally land worth not even its assessment are allowed to be sold for arrears and in cases of more valuable lands such sales rarely happen and where they happen at all, the value realized will always be much less than their real value as the bidding at these sales is not worth the trouble as it is very seldom that these sales are confirmed.

(b) **Sale by virtue of court decrees.**—The realization of full value is not also possible here. The value offered may depend on the encumbrances on the property still existing.

(c) **Private negotiation.**—Sales under this category alone fetch full price for the land. This is open to full competition and the owner has every opportunity of knowing what is the best price that could be secured for the land.

4. So far as can be gathered, there is no legal impediment to mortgages of lands and agricultural holdings. As only private enterprise finances the agriculturist, there are no agricultural banks in this district. Rural co-operative societies lending money to the shareholders function as land mortgage banks to a small extent but these societies do not allow long-term credits.

Method of working and raising capital.—No remarks. The establishment of banking institutions on co-operative basis which could afford to allow long-term credits to the villager is a desideratum. Such institutions should have jurisdiction over a given area, say, for half a dozen villages and as far as possible should be made self-supporting. As the average ryot is not a spendthrift, he may be tempted to lay by his little savings in such banks when once he comes to know about the security afforded by such banks for the deposits made with them, and when he comes to know

that his money is always available to him whenever he needs it, substantial securities will be forthcoming. The interests to be allowed for the deposits should be smaller than the interest charged for loans issued, the difference between the two being only such as would be sufficient to meet the charges of the establishment, etc. These banks should be linked to a central institution whose accounts and administration should be subjected to Government supervision and control. Every effort should be aimed at putting the expenses of raising a loan from the institution at the minimum possible and at making all facilities for easy payments.

(a) Litigations are very often, if not always, the results of fraud and this fraud in respect of immovable property is brought about by encumbrances. If the record of rights can be so improved as to make it a compulsory business to give notice of every encumbrance, subsequently made, to the previous mortgagees, it may be a help to the people, who have secured the property for their loans, to make their own arrangements to realize their dues or at least to see that the property is not so overburdened with encumbrances, that its value cannot reasonably be discharged. This will not only serve as a check on the borrowing capacity of a ryot who has a tendency to go in for loans beyond his capacity to discharge, but will serve also as a warning to the lender against further encumbrances on the property.

(b) It will not be considered a hardship against a ryot if the process of foreclosure and sale by mortgage banks is quickened in cases of default as these banks are *prima facie* intended to help people who help themselves but provision against such a measure in extreme cases of hardship should be available also.

(c) This is a desirable measure but the business of making detailed suggestion has to be left to the men in the business.

As described above mortgage banks should be made self-supporting as far as possible. The capital has therefore necessarily to be drawn from deposits and where there is sufficient reserve, from the issue of debenture bonds also. The drawing of funds from central institutions should be made a rare resource. As the acceptance of debenture bonds depends upon the security behind it, Government guarantee will make it a successful negotiable instrument. It may not be necessary to guarantee interest.

To indemnify Government against possible losses, the whole institution should be made a security to Government at first but when sufficient reserve has accrued such reserves of these banks can be found to be sufficient securities.

Other questions.—No remarks or suggestions.

5. *Indebtedness.*—The only method of reaching as accurate an estimate as is possible of the indebtedness of the agriculturist is by means of conducting an economic survey of a village where all conditions prevail. Such a survey should be made by making door to door enquiries in the village. It may be that people would not like to disclose true facts or may exaggerate them in the hope of getting relief. These extremes can be avoided only when the object of the enquiry is explained before the survey is undertaken. One village where all conditions prevail should be selected for each *firka* and the results obtained tabulated and the details worked out on the village basis for the taluk and then for the district as a whole. Such surveys have been done by students of economics under the authority of the university and the results appear to have also been published.

There are numerous instances of people having fallen a prey to the debts raised by them. Many landed farmers have sold out their lands either to their creditors out of free will or by process of law and have become bankrupts. The rack rents in the zamindari areas and the want of credit facilities for *ayan* ryots are the main factors which have reduced them to such conditions.

A farmer owning lands and cultivating them himself can be expected to show little or no interest over the land as soon as he knows that the ownership of the land has to pass out of his hands. This is quite natural. In some instances the apathy may go even to the extent of disassociating himself from the land altogether. Under such conditions what kind of incentive to employ better methods of husbandry capable of yielding more produce can be expected?

6 & 6-A. The recent enquiry into the state of cottage industries may be of help in furnishing the information required under these paragraphs.

7. No information.

II.—Indigenous banking.

1 & 2. The indigenous banker or money-lender lends out moneys to the agriculturist and petty traders on short-term credits with heavy interest. Where, on account of large inflow of money from the debtors or availability of deposits at cheaper interest, some part of the capital has to remain idle, he lends out large sums of money at a comparatively cheaper interest taking care to see that the terms of credit are kept as low as possible. In the case of petty traders or large traders of sound business habits, the moneys lent out are made repayable at their convenience in instalments on the close of each day or every alternate day in the case of petty traders or on each market day in the case of large traders for a specified number of months till the debt is closed. This method of lending is profitable from the point of view of the capitalists as he gets a part of his capital each day or as the fixed instalments which he could lay out for interest on like investments and from the point of view of the petty trader or large trader as his burden of discharging the debt bit by bit each time he attends the market for his business is reduced. In all these cases it is a standing rule that the interest which is always more than 18 per cent is deducted first from the amount advanced in the first instance. The total of such interest deductions forms another source of financing petty trades and by itself forms capital lent out for interest.

3. *Capital*.—This is not usually large. The business is first started with a few thousands of rupees and the selection of the clientele is made with great caution and circumspection. Small sums are lent out for short-term credits with interest deducted first as explained in the preceding paragraph and the interest realized is converted into capital and this process of multiplication proceeds for a time or at least till the money-lender feels that his original capital is secure. Afterwards he enlarges his business and begins to lend out on bigger undertakings, etc. The success of these people depend more upon the frequency with which money is allowed to roll in different hands with varying interest. Thus a sum of Rs. 1,000 nearly doubles itself at the end of one year.

Volume of business.—It is only small advances that are really repaying considerably. Hence the tendency is to give small sums and attract as many customers as possible with good credit.

Expenses.—Where the capital exceeds Rs. 25,000, two gumastas are entertained on pay of Rs. 15 to Rs. 25. These people write the accounts and act as collecting agents. About 10 per cent of the income may be needed to realize the debts through the process of law.

(d) *Relationship with similar bankers and other large banks*.—It is hard to expect co-ordination between the individual bankers running business in the same direction as one would try his best to attract the business of the other to his own advantage. In regard to the joint stock banks and the Imperial Bank, etc., the relationship consists only in drawing advances of loans on cheaper interest with a view to lend out at higher rates to the people at large.

4. (i) *Hundis payable at sight or at the end of fixed interval used for remittances to other places.*

(ii) *Promissory notes.*

(iii) *Bonds, mortgage, hypothecation and the like.*

(iv) *Sale deeds.*

5. Dealt with in paragraphs 1 and 2 *supra*.

These bankers obtain funds to meet the demands made on them by the following means:—

(1) *Investment of capital.*

(2) *Conversion of accumulated interest into capital.*

(3) *Borrowed capital generally represented by deposits for long terms at cheap interest received by the bankers.*

(4) *Drawing from authorized banks as loans at cheaper interest.*

The rate of interest allowed by these bankers for deposits made with them varies from 4 to 8 per cent and never more than this.

6. Dealt with under section 1 *supra*.

Better organization can be secured only by legislation which should prescribe the rate of interest beyond which no loans should be advanced. The courts now mitigate the enormity of interest charged by decreeing that the rate should only be such and such, but this is only in respect

of cases that go before them; and this mitigation is probably in view of the fact that the defendant has already been put to hardship by the legal expenses in the defence or the contest of the suit.

The system of the banker first deducting the interest should be put to a stop. This system denies to the borrower the opportunity of employing so much of his borrowed money on his own business and is utilized by the lender while it should have been legitimately utilized by the borrower. Apart from the free consent of the contracting parties for the deduction of such interest from the capital in the first instance, there is the legal and equitable aspect of the question. Interest is only the return in kind for the use of money by another person for a period. That the reduction of the interest would in a way ameliorate the existing condition of the ryot goes without saying.

7. There is some sort of prejudice in the village against the indigenous banker whose only aim is directed towards enriching himself at the cost of others. He is looked down upon as the modern Shylock. But the prejudice is not universal.

8. The men in the business must be able to evolve suitable schemes for the business. There will no doubt be some opposition from the indigenous bankers at the outset to the introduction of measures to regulate their operations, but with some sort of sustained effort by way of educating them and the masses in the advantages secured to them and to the community by such regulation, it should be possible to overcome the opposition.

9. Deducting for losses, charges for management, taxes and bad debts, the net income to the money-lender running his concern in a business-like manner, can be safely put at about 6 to 8 per cent on his outlay.

10. If a loan is refused by the money-lender, it may often be because he doubts the solvency of the borrower or the sufficiency of the security offered. He is ordinarily able to meet all demands which in his opinion can be accommodated.

11. To secure a healthy co-operation without unnecessary meddling with the business of the individual bankers and joint stock banking concerns, it is necessary to link all these in business interests. There should be a local bank for each centre, on which the leading business men, bankers and traders should have representation. There should be a limit on the lending powers of the individual banker who should have liberty to deal with petty loans within, say, a limit of Rs. 500. Loans of higher amounts and for long periods should be distributed by the local bank which should be aided by the directorate for professional advice and technical management. The local bank should be made to draw its funds from the provincial or other central banks. It is only when the indigenous banker is made to have a voice in the directorate, there can be harmonious working and he can be made to bring his experience of the locality of the solvency of the intending debtors and of the nature of clientele whether good or bad at credit to bear upon the working of the institution. He may show a keen interest also if he is allowed to have a share in the profits of the concern. In such a case there cannot be any competition between the local individual banker and the corporate bank.

III.—Investment habit and attraction of capital.

1. The banking resources consist of—

- (i) Individual savings.
- (ii) Deposits by traders and business men.
- (iii) Foreign capital worked out for profits.
- (iv) Dead capital which exists in forms of gold and silver ornaments and vessels.

The institutions for encouraging savings are—

- (1) Postal savings bank.
- (2) Individual savings ordinarily lent out for interest.
- (3) Chit funds organized by private enterprise.
- (4) Permanent funds and mutual benefit societies conducted on co-operative basis.
- (5) Co-operative societies.

Investment in silver and gold forms a dead capital which in course of time gets diminished in value partly because of the wear and tear in the use of ornaments or vessels and mainly because of the fall in the value of bullion in the money market. Such investments are usually resorted to by the monied classes as a luxury and as a sort of security by the middle classes who have bright prospects of the future in view. This sort of locking up a great part of the country's currency as dead capital is considered to be a great economic menace. If security against losses can be guaranteed, it may be found possible to release a portion of this capital which can be directed to remunerative business.

2. The postal cash certificates are no doubt popular, but the interest allowed is not sufficient to attract investments. The revision of the rate should be directed at making it at least on a par with what a man can expect to get from an individual banker.

The savings banks afford all facilities for investment. The middle classes and the lower classes of the society have recourse to them. The investors should not have to wait for the account to go to the head office whenever investment or withdrawals or transfer of accounts are to be effected. The office conducting the savings bank business should have every facility to do all these things itself without reference to any other office. The rates of interest also require revision. It may perhaps be found possible to allow a rate of interest slightly lower than what the local banker allows, in view of the security afforded by this sort of investment.

There is no foundation for such a complaint.

3. If Government securities are to be popularised and their benefits are intended to reach the remote farmer, it is necessary to allow special facilities to agriculturists and small investors. This can best be done by allowing a higher rate of interest for small investments and making the payment of interest in more instalments than what it is now. Special care will, of course, have to be taken to see that this principle is not circumvented by other classes of people by securing name lenders from among the agriculturists and small investors.

4. *Cheque habit*.—Only the well-to-do classes use cheques. The middle classes cannot find funds sufficient enough to lay by in a bank and to draw upon afterwards.

5. "Banking and investment habit in India is of very slow growth." This statement is no doubt true to a certain extent. One should hesitate to accept it wholesale. For it cannot be said that in a settled country like India which has so much advanced in arts, trade and other professions of modern civilization, there is any halt or want of acceleration in the growth of the habit. The prosperity of the nation can best be judged by the numbers of banking institutions and the trade of the land.

The want of security for investments made and the shaky nature of credit are the two factors which have greatly checkmated the growth of the habit amongst the people. The failure of such a huge concern as the "Arbuthnot Co." and the bankruptcy of many leading Chetti firms are standing evidences of such lack of confidence. The limited nature of the liability attached to the members of most of the joint stock firms is in a way responsible for this state of affairs. While the shareholders of these concerns enjoy to the full and without limit, the benefits accruing from them, there can be absolutely no reason why in case of failure their liability should be limited. At least the banking concerns should be made unlimited in liability.

Propaganda by Government is the best means of educating the public. The department which has mostly to transact business with the agriculturists should have this function. The opening of the new branches of the Imperial Bank has rendered the bank more useful to business men and traders. It cannot by any means be held to have conferred any benefit on the agriculturist or the petty trader.

**Written evidence of N. C. THOMAS, Esq., Tahsildar,
Srivilliputtur.**

I.—Agricultural credit and credit facilities for small industries.

1. (a) *Cultivation expenses*.—The method of obtaining finance varies with different sets of persons. In the case of owners, who hire labourers on 'pannai' system, the produce is sold in the market and the money raised. If at the time of need, there is no market, they get loans from local sowers at a high rate of interest from 12 to 18 per cent. They resort also to a local co-operative credit society, but they do not get money in the required season. So, they promise to pay grain interest payable at the time of harvest, which at times exceeds 36 per cent. The tenants and lessees borrow from the landlords in cash and repay in kind on the threshing floor at the time of harvest. Special men are deputed by the landlords to control the "kanganam" under such circumstances. For sowing, the tenants either purchase seeds for cash or for periods payable at harvest. For watering also, labour is hired on condition of paying at the time of harvest and produce is given in fixed quantities. The tenants settle the rates of payment of produce according to the area of harvest.

(b) *Capital and permanent improvements*.—The landowner only meets the capital and permanent expenses. Here again he applies for loan to a local co-operative credit society which does not satisfy him adequately in point of loan, period or capacity to repay. State-loan, if applied for, would be granted only in proportion to the value of the security after deducting encumbrances, if any.

(c) *Special loans*.—Here, the landowner resorts to a co-operative society, sower or a joint stock company. When he mortgages his property to a sower, he is unable to repay in the stipulated periods, being hard pressed with ordinary expenses and old debts and ultimately the mortgage goes to court.

Rates of interest.—They vary from 18 to 30 per cent if in cash or 50 per cent if in kind. Generally money-lenders get promissory notes for short-term loans without accepting any security. In a few cases, jewels are also pledged. From 1st April 1929 the rate of interest on State loans is 6½ per cent. It was formerly 7½ per cent. Though the interest is much smaller than the other sources, the ryots are afraid of the conditions of loan and of the searching enquiries made into their solvency, and therefore they get disgusted. The joint stock banks help them very little. Loans are given according to the capital subscribed and only after a fixed period of membership, and on security or mortgage of property, repayable in seven years at 6 per cent per annum. Here, the encumbrance certificate and contingent expenses turn out to be a burden on the borrower. For short-term purposes the co-operative banks do really help the agriculturists and not for long term purposes, which, I consider, is one of the defects in the co-operative movement. The indigenous banks and bankers care very little about the season of repayment or the purpose of loan. They care only for security. Professional money-lenders also are not helpful because they press the borrowers badly. Merchants and dealers act as commission agents for the sale of produce. The capital required for (a) cultivation expenses is Rs. 20 or Rs. 25 per acre, (b) for capital or permanent improvement Rs. 500 for a man holding 10 acres of land, (c) for failure of monsoon and land revenue, Rs. 120 for a landowner holding 10 acres of wet land. There cannot be any co-ordination among the various agencies, because each has its own interests to serve.

Remedies.—(1) Each taluk may have a land bank having close connexion with the Revenue Department, (2) capital need not be demanded of the villagers, (3) long-term loans may be issued by these banks, (4) joint stock or indigenous banks should be made to fix the purpose or period of repayment.

2. *Method of marketing principal crops*.—The principal crops are marketed by commission agents and taken to centres where there is a great demand for the same. The small margin between the purchase and sale

money is the commission fee. The consumers also directly go to villages to the very doors of owners and buy in cash according to the quality of the produce. It is not possible to form pools now, as co-operative effort is attended with risks at present. In marketing the produce, the credit facilities required are (1) advance of loans on pledge of produce, (2) security of produce, and (3) good management. To secure these advantages, Government godowns are necessary. 'Hundis' or chittais are the only methods by which merchants have internal remittance of trade. The co-operative banks have remittances through sub-treasuries by cash orders or remittance transfer receipts. The defects in the existing system are (1) the minimum limit of Rs. 150, and (2) the remittance being restricted to societies *inter se*. These may be renewed with suitable modifications. As between private persons or firms of merchants, cash orders or remittance transfer receipts should be allowed at a favourable commission or premium. The Agricultural Department and the Co-operative Department may co-ordinate and find out means to improve the conditions of marketing in general.

3. *Value of land per acre—Wet.*—From Rs. 1,000 to Rs. 2,000 in ayacuts where the supply of water is sure. From Rs. 500 to Rs. 1,000 in other ayacuts according to quality, source of irrigation, etc.

Dry.—From Rs. 500 to Rs. 1,000 according to the soil, facility of wells, etc.

Garden.—From Rs. 400 to Rs. 800 according to the quality, yield, etc.

The factors that affect the value of wet lands are (1) facility of irrigation, (2) source of supply, (3) nature of soil, (4) proximity to habitations, and (5) facility of traffic for marketing. As for dry lands (1) nature of crops that grow luxuriantly, (2) springs in the wells or subsoil moisture, and (3) value of crops. In sales by Government for land revenue arrears, the ryots get a mutual sympathy and try to bring down the price. In court auctions, the bidders are scared away by the encumbrances on the lands. In private negotiations, there is always competition and the owner has the advantage. In Government land acquisitions, the growing tendency seems to be to regard the purposes as not 'public,' and demand a high value as though Government should set an example in the offer of prices.

4. *Land mortgage banks.* I have no intimate knowledge of the method of work. As regards improvement in the record of rights and titles of ownership, the recent changes in the registration offices seem sufficient.

5. *Estimate of indebtedness of a village.*—To increase the credit facilities to agricultural classes an estimate of the indebtedness of ryots is necessary. The Government may with advantage prepare it either through co-operative federations or unions or through non-official agencies. The information now available is not quite accurate. The debts are largely due to (1) money-lenders and (2) co-operative societies. The purposes for which debts were incurred are mainly these: (1) marriage and other social occasions—in several communities the dowries, jewels and sarees for children drive a man into debts; (2) payment of land revenue; (3) seeds and manure; and (4) education of children. It is true that a large number of farmers are rendered landless by the burden of debts and the creditors enforcing debts by sale of lands. If this condition continues, it does take away from the actual cultivator the incentive to produce more and efficiently.

6. *Subsidiary industries.*—Garden produce, rice-milling, cotton-ginning and hand-spinning are common here, but they do not flourish for want of a favourable market and sufficient capital. Mat-making and basket-weaving are also found here and there on a small scale. To find a wide market, large capital is necessary and some trade restrictions of Government should also be relaxed. All cottage industries can be encouraged by grant of loans on favourable conditions. If marketing facilities are increased, working capital also may increase. Match industry in Sivakasi, Sattur and Virudhunagar is capable of improvement if the import of foreign matches is permanently stopped. If the supply of foreign cloth is restricted, the handloom can flourish by leaps and bounds.

7. *Relations between banks.*—It is desirable to introduce the Imperial Bank agencies at all headquarters of co-operative banks so that mutual transactions can be carried on quickly and advantageously. Long-term capital may be made available for at least 25 years short-term capital for three or four years to ensure their usefulness to societies and cultivators.

II.—Indigenous banking.

1. The indigenous banks include money-lenders. Some such bankers are also called *chit karaawans*. They are numerous. Ordinary money-lending business is done by them. "*Kootu cheetus*" are also prevalent. Their functions are the collection of fixed monthly instalments and payment of the principal to any member whose name is picked from the drawing of lots.

2. In financing agriculture, the money-lenders play a great part. They give oral loans without any written documents; they give also on pro-notes or simple bonds and in a few cases on mortgage bonds also. But the agriculturists do not enter into any terms with them as regards instalments. Interest alone is clearly stipulated. As regards the loans given for trade and industry also, the bankers do not care about the purpose or instalments. They care only for the interest.

3. As regards the system, there is no regular organization. (a) The capital consists of the subscriptions paid by the contributors or of the private money invested, (b) the volume of this business is generally small and (c) the expenses are few and little.

4. As regards various forms of instruments, I have no intimate knowledge.

5. Besides bonds, a note-book is opened in which, as moneys are paid, credits are noted and signatures obtained. No special means are adopted. The rates of interest on deposits are said to be 8 or 9 per cent among money-lenders.

6. The agricultural classes are said to pay rates of interest from 18 to 30 per cent according to circumstances. If the interest is reduced to a standard rate, the agricultural community could be greatly benefited.

7. There is a general prejudice against the indigenous bankers because their interest is exorbitant and they are unpunctual in payment to customers. Their dealings are not on sound lines. The defects are (1) they keep no regular accounts for fear of the Income-tax Department, (2) they enter into no clear terms and (3) receipts for payments also are not regularly issued. These defects can be remedied by introducing legislation, compelling all bankers to register before the Registrar of Assurances and bind themselves to strict conditions of business.

8. To make the indigenous banks serviceable to the agricultural community, there should be reduction of income-tax and compulsory registration.

9. I have no idea of the net return.

10. The indigenous bankers cannot accommodate all demands owing to insufficiency of capital.

11 and 12. I have no information.

III.—Investment habit and attraction of capital.

1. The existing banking resources are very little. The co-operative banks only have regular banking business. To encourage the investment habit, full facilities are not provided. Small agencies can be introduced in interior places to receive investments alone and not to lend. The tendency to pledge jewels for loans is common in villages.

2. Postal cash certificates are not popular, because only people getting fixed wages resort to them. To attract others, the issue price should be reduced still further and the conditions of withdrawal should be made more elastic. The postal savings bank is not useful because the interest is too low for creditors.

3. The moneys earned by sale of produce or other means are kept as idle cash only till necessity arises and the farmers have no tendency to invest them anywhere. Hence there is no substantial saving among pattadars. Lending to fellow agriculturists on reasonable terms is common, payment being made in kind or in cash repayable during cultivation season.

4. The cheque habit is increasing day by day. The abolition of stamp duty has encouraged savings deposits.

5. The banking and investment habit is of slow growth only. The causes are, want of security of banks and other facilities. The opening of the new branches of the Imperial Bank has created a belief that moneys invested in branches are safe. If people begin to feel the same confidence as regards other banks also, banking would be very successful.

**Written evidence of M.R.Ry. Rao Bahadur D. ANANDA RAO Gard,
Deputy Director of Agriculture, IV Circle, St. Thomas Mount.**

1.—Agricultural credit and credit facilities for small industries.

1. (a), (b) and (c).

Whether it is for cultivation expenses or capital or permanent improvements or other special needs, the sources within the reach of the cultivator for borrowing money are sowcars, who are professional money-lenders, bigger ryots who have money to be utilized for such purposes, co-operative credit societies where such societies exist, and in some instances dealers in produce. In the case of (b), loans from Government, for example, takavi are taken; but owing to various causes leading to delay and worry, the ryot is not very anxious to take such loans. In the case of loans from co-operative societies, being chiefly short-term loans, they have their limitations. Mortgaging land is the usual security offered by the ryot. In the case of land revenue, it is often the standing crops that help him to borrow money. In extreme cases forward contracts are made for the sale of the produce. In almost all cases the village sowcar is the "friend in need" of the ryot and in spite of the heavy interest he charges, he seems to be the only man that comes to his aid whenever the ryot is in monetary troubles. That is the chief incentive for the sowcar to drain the ryot. The rate of interest ranges from 12 to 24 per cent and in extreme cases even up to 30 or 36 per cent. The part played by the various agencies mentioned in the questionnaire is practically the same; that is, all give loans but the rates of interest and the time for which loans are given vary according to circumstances. In the case of certain companies, as for example, the Sugar Factory at Nellikuppam, money loans are given on the standing crop of sugarcane to be paid back when the canes are brought to the factory.

The chief defect seems to be that there does not exist in the country easy credit for the ryot to borrow without great restrictions. Although it is impossible to stop the money-lender altogether, it is possible to wean the ryot from him, if steps are taken by bankers and Government to make the money available to the ryot without imposing too many restrictions. Again, there is not sufficient co-ordination between different agencies. Companies do lend money to merchants dealing with agricultural produce. In such cases the produce is in their custody and is released only when required for disposal of it and repayment of the loan. There ought to be many more such agencies right in the midst of villages which would help to relieve the strain of the ryot.

2. The existing facilities for marketing agricultural produce are weekly shandies, periodical cattle-fairs, cart tracks which communicate with main roads. The methods of transport are carts and men and women who carry produce on their heads. There is no regular organization in such markets and the scope is limited but there is no denying the fact that the ryot gets a better price in the market than he does in his own village. There is very much room for improvement in this direction. Central markets are possible where various products from villages can be pooled and in this connection co-operative societies can play an important part. Here produce could be graded and standard prices fixed.

There are no facilities at present for storage of produce; this could be done even in village markets so that a ryot who is not able to dispose of all his produce in one week, can store and keep it until better prices are offered. An attempt may be made in important village markets to create such facilities in order to see whether ryots would take advantage of them. No credit facilities worth the name exist to enable the ryot to wait for the disposal of produce till conditions become more favourable. Markets should be so organized that they will create a feeling of confidence in the ryot and give him the assurance that a better produce means a better price. Only then will it be possible for him to adopt improvements in agriculture and thus raise his standard of living.

The broker who tries to squeeze a little from the producer and the purchaser is on the whole more favourably disposed towards the latter and the ryot thereby does not make as much as he ought to. Well-regulated markets will put an end to this disability.

With regard to bankers and merchants, facilities exist for big merchants to borrow money from banks. The facilities available to the public for internal remittances of dues are limited. For example, a landlord living in a big town cannot remit his kist into the nearest treasury but has to remit money to the karnam of the village in which his lands are situated. Provision may be made for making it possible to remit such dues at any treasury and obtain chalan for the same which could be forwarded to the local village karnam.

3. The value of dry lands ranges from Rs. 25 to Rs. 500. The average value of the dry lands in my circle may be taken to be Rs. 350. In the case of wet lands provided with wells and tanks, the value ranges from Rs. 500 to Rs. 2,000 and the average may be taken to be about Rs. 1,000. The various factors that influence the value of land are situation, facilities for irrigation, quality of land, availability of labour, nearness to markets, facilities for communication, etc.

(a) In the case of land which is auctioned by Government for non-payment of revenue, its value would be extremely low. The revenue that is to be collected during a year is not usually very great and therefore when such land is to be auctioned, the bidders know the amount that is required by Government and would bid only up to the extent of the kist to be collected. There are instances where kist is paid for lands which yield no return. A landlord may possess a block of 100 acres but 50 acres of it may be saline, or water-logged. In such cases, the landlord has to pay year after year not only for the part of the land that brings him a fair return, but also for the rest of it which yields no return at all. In such a case a distinction might be made between productive and unproductive lands and incentives may be offered, say, in the form of a loan repayable at long intervals so that he might make the unproductive land productive by permanent improvements.

(b) In the case of the sale of land by court decree, the value is higher than in the former case. The actual value of land is taken into consideration and bidders offer better prices.

(c) The value of land when purchased by private negotiation is high for obvious reasons.

4. There is always some demand for money for effecting permanent improvements such as putting up embankments, construction of wells, reclamation of soils, etc. As it is not possible for village banks or co-operative credit societies or individuals in the village to meet the demands of the ryots for such purposes, land mortgage banks are suggested.

5. *Ryots' indebtedness.*—The indebtedness of the Indian ryot is proverbial. The reasons given for such indebtedness are failure of crops, loss of cattle, purchase of land, old debts, drink, marriage and funeral ceremonies, etc. No accurate estimate is possible of the existing indebtedness of the ryots as nothing has been done in the matter so far. That it is very necessary to know the real condition of the ryot is obvious. That it is going to be an extremely difficult task is also obvious. A very careful economic enquiry by people trained in agriculture and economics is suggested in order to know the real state of affairs. Since that information is not now available, it is impossible to correctly answer most of the questions included in this paragraph. There is an indirect way by which the indebtedness of the ryots could be roughly assessed, and that is by the kind and amount of loans raised by ryots on the security of their lands and houses. This information could be obtained from the Registration Department. The ryot does not maintain correct accounts and therefore it is not safe to accept his statement.

There is a tendency on the part of farmers to become tenants. Failure of seasons is the chief cause. The result is that agricultural interests suffer as the land goes from the hands of the agriculturist to the non-agricultural classes. This therefore removes any incentive that the cultivator might have to do his farming in an efficient and intensive manner.

6. Poultry raising, kitchen gardening which includes raising vegetables, flowers and fruits, hand weaving, carpet making, rope making, rice husking, hand decorticating of groundnuts, are various cottage industries that are in existence in my circle. For improving the present state of affairs, I would invite your attention to the report recently published by the Special officer for survey of cottage industries—vide pages 47 to 52.

**Written evidence of R. C. BROADFOOT, Esq., Deputy Director of
Agriculture, VIII Circle, Coimbatore.**

1.—Agricultural credit and credit facilities for small industries.

1. Enquiries in Avanashi where holdings are small and mostly owner-worked indicate that ryots do not generally borrow money for ordinary cultivation expenses. When borrowing is necessary advances are taken from the village sowcar on the security of the crop with the implied condition that the produce will be sold to or through the sowcar at a reduced rate. The rate of interest for such loans is 12 to 30 per cent. Members of co-operative societies borrow money from the co-operative bank, the security given being their share capital—such loans when approved and given are charged at 9 per cent. Merchant sowcars (generally influential Chettiars) advance money to landowners on pro-note signed by one or two responsible persons as sureties. The interest charged is 12 to 24 per cent. Larger sums advanced for special purposes are advanced on land mortgage only.

Joint stock banks play little or no part in direct finance to the cultivators—indirectly merchant sowcars use such banks for obtaining their credit part of which may ultimately be advanced to ryots against produce deposited for sale. I cannot suggest any scheme whereby ryots can easily obtain credit from joint stock banks direct.

Cheaper capital would undoubtedly assist ryots at special periods and would enable them to hold their produce during periods of market dullness. This can only be made possible by raising the financial stability of the borrower—the most promising method of doing so lies in an all-round improvement of agricultural practice, reduced cultivation expenses or an increased yield from a unit area. Co-operative credit societies could directly assist this movement also by giving loans for productive purposes only or by giving such loans on lower rates of interest than in the case of non-productive loans.

2. Marketing is generally done through the agent of middlemen but controlled markets for cotton and groundnut would have the effect of raising the general standard of the produce and incidentally the price. Controlled markets would ultimately tend to cut out the middlemen. Such markets should be developed by co-operative agency in the first place but must be run by competent men with a sound knowledge of business principles and experience of the crop dealt with.

4. Facilities should be made, either through a land mortgage bank or through co-operative credit societies to give approved ryots long-term loans at reasonable rates of interest, i.e., at 6 per cent the rate prescribed for Government loans for productive work, for permanent agricultural improvements such as well sinking, levelling land and purchase of improved implements. Such loans, if easily and readily available, for approved borrowers, would supply a much-felt want and be a considerable step forward in rural development.

**Written evidence of A. C. EDMONDS, Esq., Deputy Director of
Agriculture, I Circle, Vizagapatam.**

I.—Agricultural credit and credit facilities for small industries.

1. (a) In the majority of cases, the greater proportion of money required for expenses during cultivation is raised from the merchants and money-lenders of the village at a rate of interest ranging from 12 to 24 per cent. The use of rural co-operative credit has not spread as one would desire. This is due largely to the illiteracy of the ryot population. A wider publicity of "the Agriculturists Loans Act" is also needed.

(b) There is no capital or permanent improvement of land except by those who are in a position to meet the expenses from their own accumulated savings. But of late the benefits of the Land Improvement Loans Act are being used. This Act also requires publicity.

(c) Vide answer (a).

Varying rates of interest from 12 to 24 per cent are charged by the money-lenders and loans are granted to solvent persons against promissory notes and to tenant cultivators and petty ryots against standing crops.

The part played by Government in agricultural finance is limited to granting loans under the two Acts referred to above. The Imperial Bank of India grants loans against produce stored in the bank's godowns and against gold. Operations of joint stock banks in agricultural finance are not known in this circle. For the part played by indigenous banks and bankers please see answer under 'Indigenous banking.'

2. In the case of foodgrains, the bulk of the produce is sold to middlemen, merchants and money-lenders to whom the producer is indebted for cash advances for cultivation and family expenses. The big growers who are solvent generally sell their produce in the open market and realize more profit. In the handling of commercial crops such as fibres, jaggery and oil-seed intended for the overseas market, both the money-lender who acts as a middleman and a commission agent are involved. In the case of oil-seeds the producer sells in advance of harvest direct to the man who has financed him in order to avoid the payment of high rates of interest. In the case of crops such as sugarcane which are grown on a comparatively low acreage but which at the same time involve large financial transactions, marketing facilities are generally bad. The trade is in the hands of commissioned agents working on behalf of big merchants and they come into the villages during the season. The producer deals through the village money-lender to whom he pays a commission for the privilege of sale, godown rent, a contribution to charities and interest on sums of money advanced throughout the season together with the capital sum borrowed. If the money-lender is unable to get a fair price for jaggery the producer suffers in consequence.

There are possibilities of forming pools provided co-operative efforts are made in marketing produce. Until experience has been gained and until the numbers who actually cultivate the land are solvent and sufficiently educated to conduct the affairs of such marketing organization, efforts to sell co-operatively should not be attempted. The success of pooling on a busy co-operative marketing system is dependent on the handling of large quantities of produce of one kind and this necessitates the employment of a businessman of experience. Until confidence in co-operative credit work has been established, sale transactions through non-credit agencies will not be sufficiently large to warrant an employment of a businessman.

For internal trade indigenous bankers are involved and for foreign trade exchange banks are also involved.

3. The value of dry land will be from Rs. 100 to Rs. 200 per acre, garden land Rs. 500 to Rs. 600 and wet land Rs. 500 to Rs. 700. On garden lands and wet lands sugarcane and paddy are taken. On dry lands

usually millets are taken. The best value for land is obtained by a seller by private negotiation. In the case of land sold for arrears of land revenue and by court decree, poor prices are naturally obtained.

4. The Hindu joint family system is an impediment for land mortgages as all the members do not usually arrive at unanimous decisions. Unless all the members agree it is not possible to mortgage ancestral property even for the common good and for the purpose of capital improvement.

A greater proportion of debt is incurred on all items given under (c).

The creditors are largely indigenous bankers and money-lenders.

6. The establishment of industries such as rice milling, cotton ginneries, and sugar refining under co-operative management and co-operative marketing will enable the producer to get a better return for his produce.

II.—Indigenous banking.

1. The indigenous banker acts as a middleman between banks organized on Western lines and the public. His functions are various. The type of Indian banker ranges from the small village capitalist to the wealthy, well-established private partnership or family partnership of merchant bankers who have agencies in and outside India. The Madura and Chettinad indigenous bankers have transactions in Burma, Federated Malay States, South Africa, China and Japan. Besides being bankers they are also general traders and merchants dealing mostly in industrial crops such as cotton, groundnut, jaggery, etc.

At the present time they are indispensable for they carry on a volume of business transactions in rural areas. They form a link between the Indian money markets and the vast trading community. They finance the agriculturists for carrying on cultivation; for buying cattle, implements, etc. They finance the petty artisans in the towns. They assist in the movements of crops to consuming areas or to the railway and distribute all kinds of goods in the interior of the country. They charge a high rate of interest and this has earned for them the name of Indian "Shylocks." They do not lend unless they have a security worth double the amount of the money advanced.

2. The ryots are the principal clients of the indigenous bankers. The indebtedness of the agriculturists often arises in the following way. A failure of harvest one year on account of a bad monsoon drives the peasant to the money-lender as he is unable to provide for contingencies. He mortgages jewel or his small holding and receives a loan from the money-lender at a high rate of interest. The money-lender does not give the whole amount, but deducts interest before payment for the period to which he lends. One more failure in the next year plunges him deep into the mire of debt and he loses his mortgaged property. This is typical of how the ryots are ruined by the money-lenders.

3. There is very little organization in the indigenous banking system. The Indian bankers are mostly individuals with large or small capital. There are three types of Indian bankers—(1) the small village capitalist, (2) the wealthy well-established private partnership and (3) the type where there is joint responsibility of the community as a whole. It is not possible to form an idea of the amount of capital invested as there is very little publicity for fear of Income-tax officers. Statistics are not available and any attempt at eliciting information from them regarding their capital, the amount of transaction, etc., is bound to result in failure.

As regards the expenses on the staff there is not much to say as the money-lender has at most one or two clerks to transact all this business and to keep accounts. These clerks are not highly paid—their pay ranging from Rs. 15 to Rs. 50 or Rs. 60 at the most. Besides clerks some of the bigger money-lenders employ agents to carry on business outside India.

5. *Vide* answers under II, paragraphs (1) and (2). The indigenous bankers depend for funds in times of demands upon the Imperial Bank or the joint stock banks. They get loans from them at low rates of interest.

Indigenous bankers do not encourage a system of deposit as a policy. They receive very little in the forms of deposit and they think it a burden and the rates of interest they pay on such deposits are very low.

6. With increasing security of life and property, with the spread of education and the extension of banking facilities, the rate of interest is slowly going down. The rate of interest on agricultural loans varies widely in different parts and in the same place, according to the financial stability of the cultivator or the security offered. It may be put at 12 to 24 per cent on an average.

There is a constant tendency towards a lowering of these exorbitant rates of interest. The development of the co-operative credit banks and land mortgage banks in this province will have the effect of lowering the interest charged by the indigenous bankers. Again the banking institutions of this province must be multiplied so as to form an effective competition with the indigenous bankers who will be compelled to reduce their rates of interest in the market.

Considering the amount of rural and agricultural indebtedness such reduction of the rate is sure to be beneficial to the agriculturists.

7. As far as I am aware there is no prejudice among the public in this locality against indigenous bankers. But it cannot be said that they are very popular. The fact that some of them are trading, to a certain extent, on the misfortunes of others alienate them from society.

**Written evidence of the Secretary, Dravya Sahaya Nidhi,
Kulittalai.**

I.—Agricultural credit and credit facilities for small industries.

1. (a) The agriculturists obtain finance for the purpose of cultivation from rural co-operative societies, if any, in their village, and if there be no such societies, they get finance from the village money-lenders.

(b) For permanent improvements they obtain loans from Government on the security of their lands at 8½ per cent. Those who want to save the delay and trouble of getting loans from Government approach the money-lenders and obtain loans at an exorbitant rate of interest with the result that the ownership of lands passes away to the money-lenders in the long run.

(c) Especially for land revenue they are helped by the rural co-operative credit societies. Where no such credit societies exist, they are financed by the village money-lenders in the manner said above.

The rate of interest charged by the co-operative credit societies in this district is Rs. 9-6-0 per cent and the rates of interest charged by private money-lenders range from 12 to 15, 18 and even 36 per cent in some cases. The loans are issued on one or two sureties and also on the mortgage of jewels, lands and houses and the period allowed ranges from one to three years. The Government and the co-operative credit societies play a prominent part in agricultural finance. The Government advances money to the agriculturists for the purchase of bulls and agricultural implements on the security of lands and on personal security and the period of repayment ranges from 3 to 10 years. The amount of capital required for the improvement of lands and for the purchase of bulls, etc., can be roughly estimated at Rs. 5 lakhs for the Trichinopoly district. The Government at present allots a limited amount to each taluk to advance money to the ryots under the Land Improvement Loans Act and the Agriculturists Loans Act. The ryots are not able to get money at the time they require as it involves much delay in making inspection and enquiry by the subordinate officers. Hence it would be better if the business is transferred to the co-operative credit societies as the ryots will then be able to obtain finance more easily.

2. There is no regular marketing of produce in this district. The merchant goes to the village with a middleman (broker) and purchases the produce. For the purposes of wholesale marketing and to avoid the middleman it is suggested that loan and sale societies may be started in the various places by which the produce of the whole area can be pooled. It will be beneficial for both the purchaser and the producer and the produces can be pooled by making propaganda in the rural areas.

3. The value of the land varies according to the situation of lands, sort of soil and yield ranging from Rs. 1,500 to Rs. 3,000 an acre in the wet area and Rs. 50 to Rs. 500 an acre in the dry area. In the case of dry lands provided with wells the value ranges from Rs. 200 to Rs. 500 an acre. The wet lands are generally used for raising plantain, paddy, sugarcane and betels. A land which fetches Rs. 1,000 in private negotiation will fetch only half the amount in civil court auction or revenue sale.

4. There are no legal impediments to mortgage of lands and agricultural holdings in this district. There is only one land mortgage bank at Kulittalai for the whole district, whose jurisdiction is restricted to 24 villages in the Kulittalai taluk and five villages in the Trichinopoly taluk. It raises capital by way of shares, deposits and debentures. It issues loans only up to Rs. 2,000 to an individual. This amount is rather too inadequate, especially for middle class people who are relieved only partly from the clutches of the village sowerars. If an agriculturist who has got a debt of Rs. 3,000 or 4,000 and who can furnish good security borrows Rs. 2,000 to clear his prior debts, he is able to clear only a portion of his debts and for the balance of his debts much pressure is put upon him by the

money-lender as he is deprived of the profit arising from Rs. 2,000. For these reasons it is suggested that the maximum borrowing limit of a member may be fixed at Rs. 5,000.

(6) As the provision of long-term loans is mainly to retain the ownership of lands with the agriculturist himself, the foreclosure and sale are quite against the object of Government. The only income of the land should be appropriated to the loans and if not corpus. Provision should be made in the by-laws of the land mortgage bank to restrict the borrower from alienating or remortgaging it. If the borrower makes any default the mortgaged properties may be taken possession of by the bank and leased out. After paying land revenue due to Government, the balance may be appropriated to his loans. After complete discharge of the loans, the properties may be handed over to the owner. Even if he loses all the other properties, he will be in possession of at least the lands mortgaged to the bank which he will consider as a great gift. It suggests to me that only this process of collecting the loans from the defaulters will fulfill the philanthropic object of the land mortgage banks. The land mortgage banks should derive their working capital by way of long-term debenture bonds. If it should derive its capital from a central institution, it will act only as a middleman which should be avoided. The Government may subscribe 50 per cent of the value of the debentures issued by the land mortgage banks and guarantee both the principal and interest for a few years until the proposed suggestions gain the confidence of the public. At present the Government subscribe 50 per cent of the value of debentures issued by the banks only up to a maximum of Rs. 50,000 for a bank and the present rate of interest for debentures purchased by Government is $6\frac{1}{2}$ per cent and that for the public 7 per cent which is too high. The present rate of interest charged by those banks on the loans issued to its members is 9 per cent whereas an agriculturist gets only 4 to 6 per cent of the value of the land. The interest charged by the land mortgage banks should be equal to the rate of the land yield and at any rate it should not exceed $7\frac{1}{2}$ per cent. For issuing loans at the above rate of interest, the rate of interest paid for debentures should not exceed 5 per cent having a margin of $2\frac{1}{2}$ per cent for its working. The debentures purchased by the Government should be equal to the rate at which they borrow from the public and the rate at which they pay for amounts invested by insurance companies in Government securities. An enormous amount of public money such as civil court deposit, etc., is at the credit of Government without any interest which can be used for the benefit of the poor indebted agriculturist. A most organized system of land mortgage banks on the above-said lines is quite essential or else the profession of agriculture also will become very difficult. The present system of assigning all the mortgaged lands, premises, and hereditaments to the Government as trustee is quite sound and sufficient against unnecessary losses. Only the starting of land mortgage banks for every Revenue firkā or two Revenue firkas is the adequate provision for long-term credit. The indebtedness of an agriculturist can be ascertained by an enquiry in the village itself and from the private money-lenders. The agriculturists are more indebted to the private money-lenders than to all other banking institutions. The private bankers charge 12, 15, 18 and even 36 per cent compound interest. If the debtor makes default the creditor goes to a court of law, obtains decree, and takes the debtor's lands in court auction at a low price. The sowcar lends money to the agriculturist only with the object of snatching away his lands at a low price from him. He will be waiting for the time when he can rush upon the debtor and press him for payment of the loan. Then the poor agriculturist is driven to the necessity of selling the land to the creditor himself at a low price, accepting all the stipulations which are imposed on him. If the land is taken away from him his enthusiasm for agriculture is lost for ever.

6. Especially the agriculturists of the dry area have no good monsoon for the past 10 years and they have got no subsidiary industries. Introduction of hand-spinning and weaving will be of great benefit to them as they can get good cotton from their lands.

**Written evidence of M.R.Ry. P. RAMDÔSS Avargal, Tahsildar,
Kavali.**

1.—Agricultural credit and credit facilities for small industries.

1. (a) Mostly by taking hand loans from the richer ryots and by executing pro-notes to sowcars, i.e., professional money-lenders and also from co-operative societies on personal securities.

(b) By borrowing (1) from professional money-lenders by mortgaging lands, (2) from co-operative credit societies and (3) to an appreciable extent from Government in the form of takavi loans.

(c) As in the case of (a).

The rates of interest vary from 9 per cent to 15 per cent. The interest is lower if the amount is greater. Loans are taken for periods ranging from 3 months to 12 years. Landed property is generally offered as security in respect of larger amounts and longer periods; in other cases pro-notes and personal securities. No special conditions are attached.

Government takavi loans are resorted to in a fairly appreciable number of cases wherever the need for loans is genuine. Co-operative societies afford considerable relief though the loans are given indiscriminately and society members, particularly the president and the secretary, play the part of middlemen to their self-aggrandizement. The Imperial Bank and joint stock banks are mostly unknown to ryots. Professional money-lenders, the richer among the ryots, do a great deal of money-lending. There are no special organizations for giving credit.

It is not possible to estimate with any degree of correctness the probable capital required.

The defects are:—The professional money-lender is keen on exploiting the pressing need for money and is particular to charge the utmost interest. The richer among the ryots is having a covetous eye on acquiring the immovable property of the borrower at the earliest opportunity and leaving him as a labourer. Co-operative credit facilities must be improved considerably. Takavi loans can help largely if the ryot's needs are genuinely for the purposes specified in the Acts and rules whereas in a majority of cases they are not.

There is no co-ordination at all among the credit agencies and co-ordination is not a practical proposition.

2. The only present method of marketing is to sell away the produce to any merchant for ready money at the prevailing rates. Merchants come and purchase or the produce is carted to principal places of trade and sold there.

Co-operative sale of produce is possible and likely to be successful provided there is necessary organization for effectual supervision and propaganda. There are no credit facilities for ryots for the financing of products during marketing and they sell away the produce to any one that is prepared to purchase and they could not afford to hold back till favourable prices prevail.

3. Wet land value ranges from Rs. 100 to Rs. 1,000 per acre in this taluk. Dry land from Rs. 5 to Rs. 300 per acre.

(a) About half the value of the land is obtained on an average.

(b) Three-fourths of the value.

(c) The full value.

4. No legal impediment. No banks for long-term credit. Land mortgage banks of the type the Government are starting should prove eminently successful.

5. No particulars are available. In regard to the creditor to whom the debts are due and the rates of interest charged, the methods used for calculating it and for enforcing the payment of the debt, please see my answer to question (1) above.

6. Spinning to a small extent and weaving to an appreciable extent are going on. There is no other subsidiary industry.

III.—Investment habit and attraction of capital.

1. * * * *

Nil.

No.

Yes, by opening co-operative non-credit societies.

Making jewels is the curse of India.

5. * * * *

The people know fairly well. No further propaganda is needed.

**Written evidence of M.R.Ry. C. DORASWAMAYYA GARU,
Treasury Deputy Collector, Anantapur.**

I.—Agricultural credit and credit facilities for small industries.

1. (a) In recent years since the introduction of groundnut on a large scale, the average ryot has little difficulty for funds. But the poorer ryots borrow money generally from influential landlords for the purchase of manure and seed on condition of returning it in cash or in kind with interest after harvest. As for cattle they go in for State loans.

(b) State loans are in a majority of cases resorted to.

(c) Local money-lenders advance money for paying up land revenue. During the failure of monsoon, ryots approach the local well-to-do ryots who have stock of food grains which will be advanced subject to repayment in kind with nugu, i.e., 25 per cent. For the purchase of fodder, State loans are seldom resorted to.

The rates of interest charged by money-lenders vary from 12 to 18 per cent per annum and no definite period is fixed for repayment. Landed property is being generally mortgaged.

The operations of the co-operative credit societies are not extensive and are limited to a very small percentage of the population. There are no branches of the Imperial Bank and other banks which finance the agriculturists. Guntakal and Tadpatri have an agency of the Imperial Bank which seems to serve the middlemen rather than the ryot.

It cannot be estimated.

In the case of local money-lenders and co-operative societies, it is desirable to restrict the rate of interest to the rate prevailing in the case of State loans. Co-operative society should be formed in each village including hamlets and the power of remitting penalty vested in the society to be exercised in deserving cases.

Money-lenders predominate in this district. There is scope for improvement of co-ordination if co-operative societies are formed on a larger scale.

2. Traders from other districts purchase produce in villages and sell it in market. Co-operative societies when started may undertake to store the produce in the village and subsequently sell it in a favourable market.

There are local agencies of Messrs. Volkart Brothers, Ralli Brothers, and Louis Dreyfus & Co., in several towns of this district dealing in groundnut.

At present there are no facilities at all—vide paragraph 2 above. As for facilities required, the possibility is in favour of co-operative stores and banks.

* * * * *

Banks did not exist in this district. A branch of the Agricultural Bank of Bangalore has recently been opened at Anantapur but its operations are not made manifest.

There are no hundis in this district.

3. Lands fit for raising irrigated dry and wet crops are worth Rs. 300 to Rs. 800 per acre—others (red soils) Rs. 25 to 50 per acre and black-cotton soils Rs. 100 to Rs. 200 per acre.

Irrigation facilities, nature of soil and proximity to village are the factors governing the price.

(a) Generally useless lands are brought for sale. These are worth less than Rs. 50 per acre.

(b) & (c) The value of both the lands is the same.

4. No. A branch of the Agricultural Bank, Bangalore, has recently been opened at Anantapur.

No.

No.

(a) No improvements suggested.

(b) By central institutions.

5. In the case of State loans the amount due from the borrower to Government is Rs. 8,83,000.

This is for the district.

The above was worked out from the registers of the office.

The amount was advanced for purposes enumerated in (c), (g) and (h).*

To Government.

Interest is charged at 7 to 7½ per cent; simple interest is charged on the amounts left unpaid. Yearly instalments have been prescribed.

Yes.

Yes.

6. Cotton-ginning is in one taluk. Tadpatra.

Handspinning should be encouraged by the Government.

Handspinning is the only remedy in this district which is threatened with famine almost every year.

The Government should finance and if not the co-operative society should undertake to do this.

6-A. The agriculturists have no supplemental occupation. Irrigation facilities are woefully lacking.

II.—Indigenous banking.

There are no indigenous banks in the district.

III.—Investment habit and attraction of capital.

1. The existing banking resources are:—

(1) Co-operative societies, (2) Mutual Benefit Funds and (3) Postal Savings bank and Government securities. There is no industry worth the name in this district for the people to invest their savings on.

Yes.

* * * * *

People of the district have substantially lost the habit of investing money in silver and gold as their resources are fast dwindling down on account of a succession of unfavourable seasons.

2. No. Perhaps an increased rate of interest may popularize the system. The period of discharge may be shortened.

The prohibition to withdraw more than once in a week may be deleted.

Only Government officials resort to savings bank.

By raising the rate of interest.

3. No special facilities are suggested as few people in the district have savings to invest in Government paper. Sale-proceeds of produce are not at all invested but spent for subsistence. Lower orders of the people, more especially the labouring classes, waste their money in drink.

Nil.

No such habit.

4. No banking system.

5. Yes. Poverty is the primary consideration and ignorance the secondary one.

Written evidence of JANAB MUHAMMAD ISMAIL SAHIB
Bahadur, B.A., Revenue Divisional Officer, Anantapur.

1.—Agricultural credit and credit facilities for small industries.

1. The bulk of the agricultural population in the district is of average means if not poverty-stricken. The average agriculturist has seldom anything laid by for unforeseen circumstances. He is almost in needy circumstances at every step. Being, by nature, accustomed to this condition, he does not consider the means of repayment before raising loans.

The amounts required by agriculturists in the cultivation season are small and are raised generally from local money-lenders; for capital and permanent improvements they depend on takavi loans advanced by Government; and for special needs such as failure of crops, marriage expenses, etc., they resort to local money-lenders and co-operative credit societies. In really bad season, Government also advance loans for fodder and other necessities of life.

For loans advanced by Government the rate of interest now charged is 6½ per cent. In the case of co-operative societies also the rate of interest is 9½ per cent. But the rate of interest paid to village money-lenders is usurious. It varies in proportion to the urgency of the ryots' needs, the unproductivity of the investments and the solvency of the borrower. This rate ranges between 12 and 36 per cent. Agriculturists raise loans in kind also (called 'Nagu') from local ryots. The interest for these loans also is levied in kind and at ruinous rates. The local money-lenders take the agriculturists' lands as security and enforce repayment at the time of harvests. Government advances loans for productive enterprises only. For unproductive enterprises, the agriculturists resort to co-operative societies and money-lenders. It is to the local money-lenders that the agriculturists are mostly indebted. There are no indigenous banks or joint-stock companies except a nidhi or a mutual benefit fund in towns.

Unless a detailed enquiry is made, no estimate can be made of the amounts required for various purposes.

All the financing agencies are subject to several defects. There is no co-ordination between the co-operative society and Government in the disbursement of loans. The rate of interest is not the same. The liability of a borrower to the co-operative society is not ascertained before loans are advanced by Government. There is no facility in co-operative societies for the repayment of unproductive debts in longer periods. They do not regulate the period of repayment with due consideration to the repaying capacity of the borrower. If necessary, takavi loans may be disbursed through the agency of co-operative societies. Government officials should have access to the records of co-operative societies by which alone the credit-worthiness of the borrower can be correctly judged.

2. In the marketing of produce, middlemen and traders play a prominent part. Seldom do ryots themselves sell the produce for a fair price in the market. By this system the agriculturists are put to avoidable loss and expenses. They are in the dark as to the tendency of the market rates and taking advantage of this, the trader or the middleman fixes his own price for the produce. The 'dalali' (or factor) takes a certain percentage of the produce at 6 pies in the rupee for his finding out a suitable purchaser. All this can be avoided by the establishment of 'loan and sale societies' on a co-operative basis. The existing co-operative societies may be utilized for this purpose. Such societies can advance money on the security of the produce in the village and get good prices in the market. These societies can raise funds by floating debentures with the security of Government just like war-bonds.

3. The following factors affect the value of land:—

(i) Demand for lands; (ii) availability of lands; (iii) proximity to village; (iv) irrigation facilities; and (v) fertility of the soil.

The value of the first rate wet lands under private negotiation is about Rs. 1,200. In court decrees the amounts for which lands are encumbered are generally higher than their value and the decree-holder appropriates the lands himself. In the case of artisan inams and estate-holdings the occupancy rights are not absolute to alienate the lands.

4. Land mortgage banks may raise money in all the three ways suggested but mostly from debentures. To secure Government against loss it is desirable that these banks should invest a portion of their capital in Government deposits.

5. Unless special enquiries are made, no accurate estimates can be made on the lines suggested.

The agriculturists are mostly indebted to the co-operative societies and local money-lenders. The latter levy ruinous rates of interest and the borrowers' property eventually passes over to the money-lenders in many cases. The agriculturists are thus turned out of their lands in many cases. To obviate this evil, Acts similar to the 'Land Alienation Act' of the Punjab, prohibiting alienation of land to non-agriculturists should be passed. Another act like the Deccan Agriculturists Act of the Bombay Presidency, empowering the Collector of a district to prevent collection of usurious rates of interest is quite essential.

6. There are two local industries prevalent in this division: (1) manufacture of woollen goods (cumblies) and (2) shoe-making. These industries suffer from want of organization, want of capital and lack of advertisement. As explained above, the sale and loan societies on co-operative basis might go some way to remedy the defects.

7. There are no Imperial or joint-stock banks.

II.—Indigenous banking.

There are no indigenous banks in this division.

III.—Investment habit and attraction of capital.

1. In the rural areas there are no facilities provided for investment of savings. It is true that there are postal savings banks but they do not exist in each village. It is true there are co-operative societies but they do not offer such a high rate of interest as ryots have to pay when they borrow and hence they do not deposit amounts in these societies.

**Written evidence of M.R.Ry. Rao Bahadur K. BALAKRISHNA
 AYYAR Avargal, Alangudi, Negapatam taluk, Tanjore
 district.**

I.—Agricultural credit and credit facilities for small industries.

1. The present system by which the agriculturist in my district (Tanjore) obtains finance is as follows:—

(a) The agriculturist is generally the landowner himself or in the case of one who is not in a position to attend to the cultivation personally, a lessee who has obtained a lease from a landowner for a fixed period. Expenses during cultivation are incurred partly in kind and partly in cash. Expenses in kind consist of wages for employees in grain and seeds for sowing. These are generally met from the stock of the previous year's harvest specially stored for the purpose. Cash expenses are met from the sale-proceeds of the previous year's produce if any surplus is available after meeting the above and after retaining sufficient quantity for family consumption. In cases where the agriculturist is unable to meet the expenses in this manner owing to poor harvest or by reason of his having had to sell off surplus produce to meet marriage or other special expenditure, he resorts to short-term loans from other landowners and agriculturists or from money-lenders.

(b) Ordinarily agriculturists in the part of my district with which I am specially conversant, viz., Negapatam taluk, do not undertake capital and permanent improvements to their lands unless they have sufficient surplus money from the previous year's produce or unless they have some extraneous source of income. Consequently loans are resorted to for such cases of dire necessity only as cannot be put off without serious loss to the cultivator or detriment to the lands, e.g., purchase of plough bullocks, adjustment of the level of the fields which have become silted up, etc. Loans in such cases are obtained from money-lenders.

(c) Other special needs of the agriculturists are—

- (i) payment of kist before sale of produce;
- (ii) failure of crops and insufficiency of cattle fodder; and
- (iii) marriage and funeral ceremonies or protracted illness in the family.

In the case of (i), short-term loans are taken from people who may happen to have money available for lending or advances are received from the produce dealers themselves. The loans are generally repaid as soon as the produce is sold, and advances when taken are adjusted with the final delivery of the produce.

As regards (ii), the ryot has to obtain almost everything he requires—seeds, clothing, and even much of his food and his cattle fodder—only by borrowing, if he is not already heavily involved in debts, or by selling a portion of his lands. In the first case he goes to a money-lender and in the latter case to a rich and more lucky landowner to help him out. The loan taken for this purpose is usually for a period of three to five years; but it is seldom that the agriculturist is able to clear his debts completely without selling at least a portion of his lands. The case of a man with a second string to his bow in the shape of extraneous income not dependent upon agriculture is different. He is able to meet the expenses from the extraneous income and by rigid economy he might be able to repay the loan, if any, taken completely. A series of good harvests would also help the ryot to repay his loans. But such instances are very rare.

With regard to (iii), the same remarks as in (ii) apply.

The rates of interest and security demanded in all these cases of borrowing vary according to the economic standing and the general habits of the borrower. If the borrower has fairly good property, is not of improvident habits, and is likely to be punctual in repayment, he can get loans for almost all the above purposes at rates varying from 7½ to 12

per cent without any specific security excepting his written bond executed in the form of a promissory note. If, however, he has got only a small property but is honest, painstaking, industrious and trustworthy, he may get loans for small amounts at 9 to 12 per cent interest. In all other cases the land or house property has to be offered as security and is mortgaged in favour of the lender. Loans thus obtained bear interest generally from 12 to 15 per cent. In exceptional cases the rate goes up to even 18 per cent.

The part played by Government in agricultural finance in this part of the district is practically very little. Takavi loans for purchase of cattle or for permanent agricultural improvements are stated to be available at about 7½ per cent interest per annum. But this source of help is not fully utilized by agriculturists for the following reasons:—

(a) Ignorance about the formalities and the detailed procedure by which such loans are to be applied for and obtained.

(b) The long delay that usually takes place between the dates of application and sanction, and also the uncertainty about the success or otherwise of the application.

(c) The fact that one has to satisfy a number of intermediary officials before such applications can even be sent up for consideration and other similar inconveniences.

The Imperial Bank of India does not give loans on landed security or on standing crops. The new branches that have been opened cannot be said to have been of any use to the agriculturists as such. The agriculturists do not as a rule deposit their surplus money, if any, in that bank nor can they obtain any loans from the bank except by depositing gold or other valuable ornaments as securities. Almost the same remarks apply to joint stock banks. The latter class of banks, further, have only a few branches in the mufassal places and that too in urban centres only. The Imperial Bank and joint stock banks therefore play practically no part in financing the agriculturists.

Co-operative banks (including primary societies) are doing good work in financing agriculturists in those places where the banks and societies have been started. But as there are only about 10,000 such societies with a membership of about 543,000 in this Presidency against a rural population of 38,590,000 and 52,862 villages there is ample room for the spread of such co-operative credit societies. I am not aware of the existence of any indigenous banks in the Tanjore district, but there are a good number of kuttu chit systems and some fund offices, nidhis, etc. As reliable statistics about these are not available, nothing definite can be said about the part played by these in agricultural finance. But my general impression is that such societies are started at the initiative of one or two interested individuals and the loans obtained are used purely for general family expenses of the cultivator and not for any productive purposes connected with the land. These are acting independently of other banking organizations and co-operative credit societies.

In this part of Tanjore district the Nattukottai Chettis who used to deal in money-lending have withdrawn from such business and there is now no separate professional class of money-lenders like the Sowcars, Marwaris and Baniyas, as in the north. The money-lender is generally a man with a fixed monthly or annual income or a rich land-owner who happens to have surplus cash and the most important part in agricultural finance is played by them. It is they who lend almost all the money required by the agriculturists for cultivation expenses, special needs, etc.

The details about this class of money-lenders are given in the replies under Section II.

Between the co-operative societies and the above money-lenders there is not much co-ordination or even appreciable competition. The money-lenders if they are also traders or merchants might possibly get loans in their latter capacity from the Imperial Bank.

The chief defects in the present system of agricultural finance are:—

(a) Government loans cannot be obtained in sufficient time or without considerable trouble and inconvenience.

(b) Agriculturists have to rely too much upon individual money-lenders. These money-lenders are naturally interested in keeping the agriculturists perpetually in debt as otherwise they will have to keep their money idle and are too conservative and timid to go in for other forms of investment.

(c) Co-operative and agricultural primary societies are not sufficient in number to meet all the requirements of the rural population. Further, these societies, where they exist, cannot give fairly long-term loans to enable the agriculturists to redeem their old debts and effect improvements to their land. The maximum period for which loans can be obtained from these societies is only five years.

(d) Rural indigenous banks and bankers are lacking in organization and strict business methods and have practically no supervision or check. Some of them do not even keep their accounts clearly and correctly.

The only way by which this state of affairs can be remedied to the advantage of the agriculturist is by Government aiding the creation of more co-operative village banks and granting whatever takavi and other loans they can afford to the agriculturists through these banks. In the initial stage Government or some other central bank should guarantee a certain minimum rate of interest for the shares of the village banks as otherwise there may be some difficulty in raising the required number of shares. Such village banks working on co-operative principles will replace gradually the indigenous banks and bankers. The experience of the Punjab in respect of these village banks as described in Mr. Darling's Book "The Punjab Peasant in Prosperity and Debt" will be very useful in forming similar banks in this Presidency.

2. *Marketing*.—The chief crop in my part of the district is paddy. The professional dealers or intermediaries or agents to merchants in towns go about the villages and arrange to buy stocks and supply them to big merchants and rice mill owners in towns. Export to outside districts or out of India is arranged by these merchants and mill owners. In the case of small landholders, some of them are already indebted to the dealers for cash advances for revenue kist to Government, cultivation or family expenses. The produce is sold in such cases in repayment of the advance. But the wealthier landowners who can afford to do so generally hold stocks for some time waiting for a rise in price and sell them, ultimately, to the dealers and intermediaries referred to above.

The dealers or agents pay down an advance immediately the sale is settled, and the balance is paid in cash either on the final delivery of the grains or on some date thereafter fixed by the dealer.

Other agricultural produce such as vegetables, fruits, etc., are sold in fairs or shandies (சந்தை) which are held at different places on each of the week days.

Co-operative pools for marketing produce unless strongly aided by Government are not likely to be successful owing to the general ignorance of co-operative principles and the want of confidence on the part of the rural population engendered by the failure of several banks and Nattukottai Chetti firms during the past two decades or so. With the spread of village banks on co-operative lines, which will educate the masses in regard to co-operative principles, this work of co-operative sale of produce may come to be undertaken but Government must be prepared to play an active part in the initial stages.

Internal remittances of merchants in rural parts are conducted chiefly by the facilities afforded by the post office and by despatch of messengers to places within their easy reach. Hundis or other forms of negotiable instruments are not used by the rural merchants and traders or agriculturists.

I believe that there is good scope for Government assistance to the agriculturists in regard to the marketing of the latter's produce in the way of opening depots, supplying reliable information regarding the prices at which grains will be bought and sold at the depots, etc.

3. *Value of land for paddy crops*.—From Rs. 500 to Rs. 1,000 per acre in purchase by private negotiation.

Factors affecting the value of land in such cases are:—

- (a) the degree of necessity that causes the owner to sell it;
- (b) the quality of soil and facilities for its irrigation and drainage;
- (c) the economic circumstances of the purchaser.

Cases of sale of land by court decree and by Government auction for non-payment of revenue sometimes occur in these parts and the prices in such cases vary between Rs. 200 and Rs. 250 per acre. The factors affecting the value are the quality of the soil, the requirements for the particular plot of land on the part of the intending purchaser, i.e., the locality of the land in relation to the other parts of the purchaser's property and the amount of money that he can afford for the purchase.

4. No legal impediment exists to mortgage of land in this province.

A Co-operative Land Mortgage Bank is at Tanjore. Four or five other land mortgage banks started on co-operative principles also exist in other parts of the Presidency. But so far as I know, the Tanjore Bank is not prominent in its activities.

Land mortgage banks with the object of providing long-term credit facilities to the agriculturists are a long-felt necessity.

The broad principles on which these banks should be created are given below:—

Capital.

The working capital of the bank should be derived largely by issuing negotiable debenture bonds carrying Government guarantee for interest. Government should take a large portion of these debentures by investing their trust funds. As demand from ryots for these debentures increases Government can relinquish their holdings gradually. Capital from deposits is not likely to be appreciable.

Security.

These debentures should be floated on the security of the aggregate of a series of mortgages and not on the mortgages of an individual's land. The credit of the borrower and the value of land proposed to be mortgaged by him should be assessed independently by Government officials such as Tahsildars in communication with the Registration Department and by officials of the co-operative societies.

Terms of loans, etc.

(1) Loans should be given on adequate security up to a maximum period of twenty to twenty-five years repayable in annual instalments.

(2) Right of summary recovery on non-payment of instalment should be vested in these banks to be used with care and discretion and after full examination of the economic condition of the borrower.

Interest.

Such mortgage banks may borrow money from Government at the same rate as or slightly higher rate (say $\frac{1}{4}$ per cent higher) than that obtaining for Governments long standing term loans—say $5\frac{1}{2}$ to $6\frac{1}{2}$ per cent.

Interest at 8 per cent may be charged from the banks' borrowers.

Objects.

The object for which loans should be restricted to:—

- (i) To liquidate prior indebtedness.
- (ii) For productive improvements or purchase of capital equipment or machinery for land.

5. Rural indebtedness:—

Sir Frederick Nicholson estimated in 1896 the rural indebtedness of the Madras Presidency at about 45 crores of rupees. In Appendix IV to the evidence of Mr. N. Macmichael, I.C.S., before the Royal Agricultural Commission, 1926, some statistics are given about the indebtedness of the ryots

in typical villages gathered from Resettlement Scheme Reports. So far as the information relating to the Tanjore Delta area is concerned, it is given below: and my general impression is that these figures are reasonably correct.

<i>Tanjore Delta.</i>		<i>Origin of debt.</i>		
Number of villages examined.	42			PER CENT.
Amount borrowed on mortgages.. ..	Rs. 4,04,095	Land purchase		18½
Unsecured debt	6,20,970	Marriages		20
Number of ryots examined ..	1,602	House construction ..		1
Number not in debt	897	Ordinary family expenses		42
Percentage of ryots not in debt.. ..	55	Litigation.. ..		8
		Trade and speculation ..		3
		Discharge of old debts ..		7
		Other causes		½
				100

Some useful information regarding rural indebtedness is also contained in Dr. Slater's "Some South Indian Villages". The records of the Registration Department will give a fairly correct figure regarding the debt secured on mortgages. Beyond these no other source of information exists at present for estimating rural indebtedness. An enquiry instituted for the purpose will be useful.

The chief reasons for indebtedness in my village are:—

(a) Ordinary family expenses owing to the insufficiency of the income from land.

(b) Payment of earlier debts and growth of previous debt, its interest not having been paid.

(c) Expenses for marriage and other ceremonies.

The debt is largely taken from the money-lenders of the class referred to in answer to question 1 above. As explained therein the rates of interest charged vary from 7½ to 15 per cent. Loans are taken by giving promissory notes or executing mortgage deeds. Repayment of debt is compulsorily enforced through court only when the borrower goes on adding to his debts or when there is repeated failure on the part of the borrower to pay interest when due or to repay the loan when urgently required by the lender. Otherwise the loan is allowed to continue. In fact in some places, in the case of respectable people with substantial property, repayment of loans is not desired by the lenders.

6. The subsidiary industries prevailing in my part are chiefly:—Rice milling, garden growing and weaving. The farmer has sufficient work to do during the off-season if only he has the will and the finance resources. The off-season usually lasts for about three to four months and that is the time for adjusting the level of the fields by digging, etc., for clearing the accumulated silt from the irrigation channels and for arranging for the distribution of cattle and other manure on the fields. The farmer appears to be idle during this time, only because he has not the requisite finance or because he has to utilise the available money to more pressing requirements such as the marriage of a daughter, etc.

7. The relation between the different banking concerns and agencies has been explained in my answer to question 1. There is no competition between co-operative banks and joint stock banks in rural areas for the simple reason that the latter have no branches in rural parts.

My view is that the co-operative movement, particularly on its banking side should be stimulated by—

(a) Employment of a large, well-paid peripatetic staff who should give attractive lectures to villagers on the advantages of co-operative banks, etc., by citing examples of the successful working of these institutions elsewhere and should demonstrate fully the methods by which the institutions are worked. They should also be prepared to assist the villagers in forming the banks and actually working them. Enthusiasm and interest in the work should be created, maintained and stimulated from time to time.

(b) Inclusion of debentures issued by central co-operative banks in the list of trustee securities.

(c) Requiring the Central and Imperial Banks to lend out their idle money to village banks at cheap rates.

II.—Indigenous banking.

1. The indigenous bank or banker in this part of the Presidency may be either

- (a) the kutu chit organization
- or
- (b) the money-lending individual.

The kutu chit system is one in which a limited number of men join together and subscribe specified sums at specified intervals; and the whole sum subscribed on each occasion is drawn by lot. The winner of the lot takes the sum. On the next occasion of the drawing, the winner of the previous draw is excluded but he continues to subscribe throughout the entire period originally fixed upon. The period is determined by the number of members joining so that all subscribers might receive their turn of the winning lot once. Instead of casting lot, a system of auction is also prevalent. But, in any case, the loans taken under this system are used for ordinary current expenses.

As regards the money-lending individuals, they do not form a separate professional class. Roughly all those who have spare money—ryots, merchants, retired officials, shop-keepers, and vakils—lend it. In some parts of this district, Nattukottai Chettis used to conduct money-lending business as a professional class; but now they have their activities chiefly in Madras, Chettinad, Burma and Malay States. In villages the chief classes of lending are from (i) ryots to ryots, (ii) landlords to tenants or labourers and (iii) merchants or produce dealers to landlords and cultivators.

(i) Lending between ryots and ryots is the most prevalent form in this district. The ryot who is in a fortunate position to lend may himself in course of time become the borrower if he is solely dependent upon agriculture. The chief occupation of the ryot is agriculture and money-lending is only a subsidiary occupation which is resorted to when there is spare money available from the produce of his land. Lending is done upon promissory notes or mortgage according to the economic standing of the borrower.

Though lending one's own capital is the only banking business amongst this class, still it is not unusual for a wealthy landowner to receive deposits of cash from widows, orphans or poor relatives who have money to deposit and who require some trustworthy person to take charge of their money and also allow interest. The wealthy man receives these deposits not because he has need of them for his banking, or more strictly lending business, but because he inspires trust in this class of depositors and because it is more or less accepted in usage as a social obligation. The deposit money thus received may be viewed in the nature of trust funds. Nine per cent is the rate of interest usually allowed upon this type of deposits.

(ii) Lending from landlords to tenants is chiefly for effecting improvements on lands or for cultivation expenses of the latter. Such lending is a regular incident of the system, implying the relationship of landlord and tenant or agricultural labourer. Such loans do not come strictly within the term of business lending but more of a nature of social relationship, particularly in the case of loans from landlords to labourers. The rate of interest is usually low and often the recovery thereof is waived. Loans from landlords to tenants are for effecting improvements to the land or for the purchase of cattle or seeds when the tenants have no lands of their own. It is not uncommon that the tenant may be richer and be farming a poor ryot's land in which case no loans are taken.

(iii) The ryots who resort to merchants or dealers for loans are usually those who cannot find sufficient money for their ordinary family expenses by the sale of the produce of their lands. Money for this purpose may be required before the harvest season and they cannot get it from their rich brother ryots in the village as the latter might have already lent their surplus money. Usually even those who had surplus money and had lent it elsewhere, go in for advances from produce dealers to be adjusted with the delivery of produce.

2 & 3. The extent to which the indigenous bankers (as classified in reply to the first question in this section) finance agriculture may be gathered from the fact that these are the classes of money-lenders who

supply all the money required by the ryots in the event of failure of harvests. Two essential conditions necessary in any organization that may be devised for supplying credit to the rural population, viz., *proximity* and *facility*, are found in these classes of money-lenders. This explains the dominance of money-lenders in rural finance in this district and the absence of any place for the Imperial Bank and the joint-stock banks in the financing of agriculturists. Defects in this regime of money-lenders of course exist and they are (a) want of organization and (b) too much dependence upon the individual whim and caprice, greed and avarice of the lender. In this regime the lenders also are not free from disadvantage. They have no certain or systematic avenues of investing their capital as would be available in an organized banking system. They have sometimes to take too much risk and as they do not possess powers of summary recovery or rather as they cannot be trusted with such powers, they are put to considerable expense, delay and even loss and fraud in the recovery of their loans.

With the exception of the merchant class of lenders mentioned in the reply at (a) (iii) to question 1, the other money-lenders have no connexion with the Imperial Bank or joint-stock banks. The merchant class might have accounts with these banks, especially the Imperial Bank, in the capacity of traders.

The amount of capital invested cannot be stated separately in respect of these money-lending classes as no specific ear-marking of capital takes place. Whenever spare money becomes available, it is lent out. If they cannot find profitable and safe avenues of lending their money, they might utilize the money thus available for their agricultural and trade purposes. If for any of these purposes, lending or trade or agricultural improvements, their own money is insufficient, they resort to short-term borrowings from others of the same class who happen to have the required money.

The volume of the business of these lenders depends therefore upon the spare money available for lending and the demand for the same.

Expenses for lending are practically nil in the case of the lenders. They are, however, in some cases put to considerable expense in effecting recovery of the loans. This happens when loans are given to improvident individuals or on doubtful security.

4. Hundis are not used by these agriculturist lenders. Loans are granted and taken generally on promissory notes written in Tamil. A sample wording of the pro-note form used translated in English is given below:—

Promissory note executed on.....(date) to A son of.....
residing in.....(village).....taluk by B, son of.....
residing in.....(village).....taluk. As I have this day received
from you in cash a loan of Rs.....(in words) for.....(purpose to be
specified), I undertake to repay the said amount to yourself or to your order whenever
desired, with interest at.....per cent. per $\frac{\text{mensem}}{\text{annum}}$ from this date.

Required number of
one anna stamps to be
affixed.

Signed.

Witnesses.—Generally not less than two.

5. Replies to this question are contained in the answers to questions 1, 2, and 3 in this section.

6. The rates vary usually from 7½ to 15 per cent. With the substitution of organized credit for that of the money-lender by instituting village banks on co-operative principles the rates of interest may be regulated so that they may stand in the neighbourhood of 9 per cent. The rates cannot be very much reduced further. The further reduction of rates,

even if it were possible, will not, in any view, confer much benefit to the agricultural community as such facile and easy credit might result in increased borrowing. The ideal to be aimed at is that the agriculturist should not resort to borrowing except for effecting an increase in the productivity of his land. Without considerable spread of knowledge in regard to the ways in which this increased productivity may be brought about, easy credit will mean not spending the money thus obtained in agricultural improvements but in improvident expenditure. So for the purpose of agricultural improvement and progress though every credit is a necessity, it should not precede the spread of full knowledge as to the ways and means by which progress in agriculture is to be attained. Without increased productivity of land and increased income, no real improvement in the standard of living of the agriculturists can be effected.

7. There is no prejudice against money-lenders in these parts. The money-lending classes are sufficiently protected in law. The dealings of these money-lenders are usually conducted on sound lines though in some cases the accounts are not kept so clearly or correctly as is desirable. This has far reaching effects in the rural economy. The replacement of this class of unorganized lending by organized village banks might improve matters. There is no other way by which the accounts of these individual money-lenders can be checked, audited or supervised.

8. The whole drift of this minute of evidence is that indigenous money-lenders should be replaced gradually by village banks. These banks by attracting savings deposits will encourage thrift. Their methods and terms are public. Their system of lending will do away with the existing state of continued indebtedness in the case of small farmers, as repayments in easy instalments will be insisted upon. The villagers will learn excellent lessons in co-operation which will be helpful to them in other respects. Government can help in the starting of these banks through their Co-operative Department and by granting fiscal, legal and executive privileges to these banks. The banks should be on the lines organized in the Punjab.

9. As already stated, expenses in lending are not much for these money-lenders. The average rate of interest which they obtain, viz., about 9 per cent, may be viewed as their net return.

10. The demands of the agriculturists are met by the lenders in full. If they cannot get money from one lender, they can always get it from another. Improvident classes of borrowers with extravagant habits may not get money easily unless they mortgage their landed or house property.

11. The indigenous money-lenders do not suffer from lack of money for lending as they are not a separate professional class with money-lending business only as their chief occupation. Except to get loans from the Imperial Bank, the joint-stock banks and the co-operative banks, it is not to the interest of the lenders to be connected with these banks. They do not desire to deposit their money with the banks in question as the interest offered is very low. The banking facilities that may come to be afforded to the ryots will automatically benefit the money-lenders also in their capacity as agriculturists and link them with the money market. There is no competition between the indigenous bankers and the above-mentioned joint-stock banks and the Imperial Bank.

12. The replies to these questions are in the negative.

III.—Investment habit and attraction of capital.

1 & 2. The existing institutions for encouraging savings are:—

- (a) the post office savings bank,
- (b) the savings bank section of the Imperial Bank and joint-stock banks.
- (c) post office cash certificates.
- (d) kutu chit system and nidhis.
- (e) insurance facilities offered by the Postal Department and other insurance companies, and
- (f) provident funds and family pension funds of Government and other large employers.

Of these (a), (b) and (c) are being utilized by the Urban middleclass people, (d) is prevalent in rural areas as also in urban centres but not very widely, (e) and (f) cases are specially for Government employees and others who have regular assured monthly income. It will, therefore, be seen that the rural population in the interior parts of the country do not possess as full facilities for saving and investment as are desirable. In fact they can utilize their spare money only by lending to other ryots and this is being done as explained in the answers in the preceding section. Post office savings banks do not attract rural depositors for the interest allowed in these banks is very low. Kudu chit system by its very nature can be run only by a few individuals and that for a limited time only. Provident funds and insurance facilities are for regular salaried people and cannot prove useful to the ryots. Post office cash certificates are proving popular but not yet widely in the rural parts.

With a view to extend the facilities for saving, a larger number of post offices doing savings bank work with adequate staff may be created in the interior places, the amount which can be deposited annually increased at least to Rs. 2,000 and the rates of post office savings bank interest raised to at least 4½ per cent. The advantages and terms of post office savings bank should be widely advertised in vernaculars just as has been and is being done in respect of post office cash certificates. The usefulness of post office cash certificates in rural areas might be increased by issuing them in vernaculars also up to a certain amount say Rs. 100. The present terms of issue of these certificates should not be reduced.

As regards the people's habits to invest in silver and gold, I think that there is no undue hoarding and locking up of money in gold and silver. According to one's social and economic standing, an Indian woman has to possess some jewels; and the family should necessarily have some silver utensils. Beyond this no undue expenditure on or accumulation of gold and silver takes place nowadays whatever might have been their habits in the past.

There is no competition between Government Post Office cash certificates and Treasury Bills and banking deposits for the following reasons:—

(a) The customers of banking institutions and bankers are generally of the wealthier class,

(b) this class of people are not attracted by post office cash certificates. It is the middleclass people who do not find it convenient to keep a banking account who invest in these certificates, and

(c) there is a limit to an individual's holding in the cash certificates and so there cannot be any appreciable investment by the wealthy class in these certificates.

For the purpose of increasing the usefulness of post office savings bank, a suggestion has been put forth by responsible people that the withdrawal form might be made a negotiable instrument. From a rural point of view, this is fraught with dangers and great possibilities of fraud.

3. *Government and other securities.*—Except in the Presidency towns where there are organized stock exchanges and where Government securities can be obtained and sold through brokers, these securities can be purchased only from the Imperial Bank and its branches. There is no facility for the mufassal public to sell back their Government or other securities.

If small investors and agriculturists are to invest in Government and other securities, such securities should satisfy the following conditions:—

(a) an assurance that the principal amount invested will not be lost altogether and will be available to him whenever he desires to have it back,

(b) that the income which the security is expected to yield shall not be a fluctuating one but shall come at a steady rate over a fairly long period, and

(c) that if anything goes wrong, he will not have to throw good money after bad and be dragged into additional liabilities.

The fact that the securities do possess all these qualities should be brought prominently to the notice of the agriculturists and small investors.

Short-term Government bonds floated on these lines and well advertised in the rural parts might prove popular.

Habits of people in regard to money.—In rural parts when people get money by sale of produce or through any other cause such as repayment of a loan, an average conservative cultivator who has no debts requires a large part of this money to be paid to him in currency notes and the remainder in silver rupees and small coins. If he is able to secure some suitable landed or house property he does so as soon as possible. Otherwise he keeps the currency notes tied and intact in a trunk or safe until some one in need comes and asks for a loan at a good rate of interest say 9 to 12 per cent. If the security (specific or general) is good, the money is given on loan. If not he waits and waits until he is able to secure a suitable borrower. The money is lying all the time in the safe or the trunk unless he is relieved, as it happens in some cases, by burglars. He uses the cash that he received in rupees and small coins, for current ordinary expenses throughout the year. In the case of those farmers who have debts, the money received is used for part repayment of debts or payment of interest after reserving a certain portion for current expenses.

In urban parts, the middleclass people, when they get monthly or periodical salary, distribute a large portion in settlement of the previous month's dues, and the balance, if any, is put into the post office or other savings bank. These are sometimes drawn back at the end of the month for current expenses which have to be met in cash. Of course there are people who pay for everything in cash and these men after depositing a certain portion in the post office savings bank (if they have sufficient money) keep the balance in hand for current expenses.

The labouring classes, however spend a portion of their money in purchase for their daily requirements and generally squander the remaining in drink, purchase of cloth, etc. They have rarely any surplus left for savings bank.

Some of the agriculturists, it should be added, spend their money on receipt from produce sale, as follows:—

(1) in payment of interest on loans obtained or repayment of loans if this can be afforded and

(2) purchase of cattle, clothing and food requisites for the whole year in one lot.

This class of people do not keep any money in their hands. For petty expenses they have to go in for short loans and advances from produce dealers to be adjusted on the sale of the following year's produce.

4. The cheque habit is prevalent among the superior class of officials and fairly big traders in urban centres. It has not touched the other classes for the simple reason that these other classes of people find it inconvenient to go to the bank and wait there for some time to cash the cheques drawn by them and their ordinary items of daily expenditure do not admit of payment by cheques. Further, these classes of people, after meeting their ordinary expenses, have not much surplus left to be deposited in a current account in a bank and to be drawn by cheques as and when required. If at all there is surplus they would prefer to deposit it in a place close by, such as the post office, and withdraw it when required.

In rural areas the cheque habit has not spread at all for the reason that the banks in most cases are far away and the people are not educated enough to know what cheques are and how they can be used.

5. The view that banking and investment habit is of slow growth in this country is true in respect of rural areas. In big urban centres and Presidency towns, this is not correct. The reasons for the slow growth in the rural parts are:—

(a) the innate conservatism and suspicious nature of the rural population,

(b) the lack of safe and easy banking facilities in close proximity, and

(c) the ignorance of the people of even the facilities that are actually available.

The opening of new branches of the Imperial Bank of India has been of some service in creating banking habits but it can only be compared to a drop in the ocean. In the creation of village banks on co-operative lines aided very much by the State in the initial stages lies the true path of spreading banking habits amongst India's masses.

Written evidence of the President, Gudlavalleru Co-operative Land Mortgage Bank, Limited, Gudlavalleru.

General.

The general needs of a village ryot may be classified as short-term and long-term credits, the former for current expenses incurred for cultivation and the latter for redemption of prior debts and permanent improvements of lands. The one is met to some extent by the village co-operative societies. With a view to meet the other primary land mortgage banks have recently been started in this Presidency.

The Gudlavalleru Co-operative Land Mortgage Bank was started in the Kistna district in the year 1925 with an individual maximum borrowing power of Rs. 1,000. Its operations extended to 44 villages of Gudivada taluk and it at first financed only towards redemption of prior mortgage debts. After a year of its working the L.M.B.P. was enhanced to Rs. 2,000 and it was also allowed to finance towards redemption of all kinds of prior debts. Another bank of this kind was started a year ago in the Bandar taluk of this district at Vadlamannadu with a jurisdiction of 25 villages and an L.M.B.P. of Rs. 2,000. The banks have financed to an extent of nearly four lakhs and one lakh respectively and have proved of great use to the local middle-class ryots by relieving them from the clutches of the local sowcars who finance them only with the idea of annexing their lands one day or other. It has recently been resolved to enhance the L.M.B.P. to Rs. 5,000 which resolution still awaits registration and unless it is done these banks will not be of much use to the higher class ryots who have debts ranging from two to five thousand.

The successful working of land mortgage banks depends upon their power to raise debenture money and upon close scrutiny and correct valuation of the lands mortgaged to the bank.

1. *Funds.*—Funds of the bank are being raised now only by floating debentures. To encourage the public in buying the land mortgage bank debentures, the debentures should be made current like Government promissory notes in all the co-operative institutions as well as the Imperial Bank for, as it is, buying of L.M.B. debentures is to lock up the money for a pretty long period of twenty years which is often felt not welcome by any local purchaser. The debentures should also be accepted as authorized investment under the Trust Act either by amending that Act or by making a special rule.

In this connexion we have to state that a central financing institution is also desirable in view of the failure of a number of land mortgage banks for want of funds. But even then the primary land mortgage banks should never be disqualified to issue their own debentures though a restriction may be placed on the rate of interest that the primary bank might give. There is not much point in prohibiting a primary bank issuing its own debentures. The resources that a primary bank can tap are different from those available to the central one and as such there is not much room for the apprehension of any unhealthy competition between the two. The capacity of a primary bank to issue debentures, far from being a disadvantage to any body, is a positive advantage inasmuch as it attracts all locally available money in a way that a central bank situated far off can never be expected to do. The Registrar of Co-operative Societies is the trustee of all primary banks and he is expected to be the trustee of the central bank also. The same officer thus standing at the helm of both the central and primary institutions affords sufficient safeguard, if any is necessary, against these banks prejudicing each other's interests in any way.

Valuation.—Almost all lands in this taluk are wet lands and are very fertile. The prices range from Rs. 600 to Rs. 2,000 per acre. The conditions that determine the prices of lands are numerous, of which the following are some:—

- (i) The geographical position of the land and the value of the adjoining lands.
- (ii) The fertility and water supply.

(iii) The status of the neighbouring landholder, i.e., if he is a man of wealth and has great desire to possess lands, his bid will be very high.

(iv) The market rates of paddy.

(v) The status of the landholder himself, i.e., if he is hard-pressed for money and forced to be ready to sell his lands for whatever price is offered, he will be paid very low.

During the last four years' experience of this bank I have come across several cases in which ryots have procured a good price for their lands by quenching their pressing and peremptory needs by a mortgage to this bank and then selling their lands at their leisure.

Prices are liable to vary at any time and to safeguard against the results of a possible fall in price annual revaluation of lands was thought to be very essential and is being done. Such reports of revaluation might be checked by the departmental officers also.

Scrutiny of title deeds.—With regard to the scrutiny of the intending mortgagor's title to the proposed hypothecation, a bank cannot be too cautious. All the documents of title produced by him as also the old settlement registers and the several transactions relating to the land as traced out from the registration records as far as available will have to be carefully examined and weighed with reference to the law bearing on the subject.

A title perfect and unquestionable at the time of mortgage may subsequently easily be defeated (so as to seriously prejudice this mortgage) by a sale held for arrears of revenue. To provide against this contingency, this bank keeps the Revenue Officers concerned in touch with the several survey numbers comprised in each mortgage and requests them to inform the bank whenever there is an occasion for any such sale. The local district gazette is also subscribed for and is constantly referred to in this connexion.

2. The bank takes care that all mortgages referred to in the encumbrance certificates which are taken only for a period of 24 years at the most are duly discharged. But it may be that a mortgage affected more than 24 years ago has been kept alive by a series of payments endorsed on the bond off and on.

3. It may also be noted that difficulties may arise out of the incidents of what is known in Hindu Law as a widow's estate. Such an estate is a sort of parenthesis interrupting a series of full owners succeeding one another and extending, it may sometimes be, to nearly a century according to the period of life of the woman in question. A title that comes up for examination may apparently be sound and unimpeachable based upon valid transfer deeds or inheritance. But preceding all these may lie an estate of a woman who is still living or has recently died leaving the question of title still open to the challenge of the person who turns out to be the actual reversioner after her death.

Defects of title contemplated by the last two contingencies are no doubt not easily detectable and a bank must only submit to such risks; but our consolation is that this is only a mere possibility and cases liable to such risks are in actual working extremely few and far between.

We have not been able to conceive of any remedy for these last two possible contingencies and we take this opportunity of giving expression to the difficulties with a view to find a solution suggested.

Exemption from the Insolvency Act.—Then again the management of this bank is very often distressed by the idea that a borrower may be over head and ears in debt and having wantonly suppressed that from the bank may take a small amount from it to meet a particular immediate need of his and shortly thereafter get himself adjudged insolvent in which case the mortgage in favour of the bank will be inoperative as such if he happens to be within three months of adjudication and the bank may get little or nothing in the general rateable distribution among his numerous creditors. It is therefore suggested that co-operative mortgages, especially L.M.B. mortgages, may be declared exempt from the operations of that portion of the Insolvency Act.

Simplification of the process of sale.—The process of sale by land mortgage banks themselves without having to go to civil courts is highly desirable for the successful working of these banks.

Execution of indenture bond.—Granting loans to an undivided family on the security of the joint property is the next difficulty felt by this bank. The general opinion of the Co-operative and Registration Departments is that the bonds executed by the members of co-operative societies are alone exempted from stamp duty. So the other co-parceners of the family are hitherto asked to sign the document as sureties. But legal opinion is that the property of the co-parceners who signed as sureties is not liable for the mortgage debt and that even such persons (co-parceners) are liable only for six years. In this connexion it is quite essential that the Co-operative Act as well as the Stamp and Registration Acts should be so altered as to allow all persons interested in the mortgaged property to sign as executants. In this connexion we also state that the Government will loose nothing, for the stamp and registration duties levied on a bond are in reference to its amount and not to the number of persons who execute it.

Period of loans.—It is also desirable that the maximum period of loans granted to members of primary land mortgage banks should be extended to 30 years.

Rate of interest to the borrower.—The rate of interest to the member of a primary land mortgage bank may also be reduced to 8 per cent but to do this the rate of interest on debentures also should be reduced to 6 per cent. The margin of 2 per cent should never be reduced as it will have to go towards the payment of an efficient staff which is quite essential for this kind of banks and towards the building of a good reserve fund as these banks are of limited liability.

Ratio of share capital to the loan.—The ratio of share capital to the loan granted to a member should be as 1:20 instead of 1:10 as it is now prevailing.

**Written evidence of M.R.By. K. CHIRANJIVI PANTULU Garu,
Registrar of Anantapur.**

1.—Agricultural credit and credit facilities for small industries.

1. (a), (b) & (c) Agricultural credit is obtained for all the three purposes specified in the questionnaire from private money-lenders, and in recent years from co-operative societies.

The rate of interest varies from 12 per cent to 30 per cent. The village money-lender charges a high rate of interest, because he has to take the risk involved in unsecured debts. Generally the minimum period for which the loans are taken is one year and the maximum is three years. Nature of security is in the form of jewels mortgage or house or land mortgage. Mortgage of standing crops is very rare in this district.

Takavi loans are not popular. There is said to be much delay in the grant of these loans. Sometimes the ryots are to be at the mercy of the village officers. The influence of the Imperial Bank is negligible. The joint stock banks, i.e., midhis working in the district are not generally helpful to the agriculturists. Only co-operative societies and the professional money-lenders are useful to the ryots.

Co-operative society is most useful to the ryot population but for its two defects. It gives scope to benami transactions and there is no proper agency to collect arrears. If the Government co-operates with the Co-operative Department, by making the village magistrate and his establishment responsible for the collection of arrears, there will be much saving in the co-operative establishment and collections will be prompt.

2. The money-lender, who happens also to be the broker to big town merchants, purchases the stock at the lowest price possible at the time of the harvest and disposes of it himself. Thus the ryot is not benefited by the rise in the prices. Loan and sale societies are the only remedies but unless the ryot is saved from the clutches of the money-lenders and also from the necessity to dispose of his produce immediately after the harvest, the loan and sale societies cannot work well. The hundi system is not in vogue.

A small fraction of the credit required during marketing can be provided by joint stock banks working in towns. But very few take advantage of them. An extensive use of hundi system should be encouraged. Further, as suggested in the Report of Linlithgow's Commission, licensed markets should be established in different places for groups of villages; and such markets should be under the management of committees composed mainly of agriculturists.

4. There are no land mortgage banks in the district. The existing co-operative banks cannot give loans for a long term. There are no other banks to give long-term loans. The establishment of land mortgage banks would very much benefit the ryot. The working capital of the mortgage banks must be derived from debentures, the interest on which must be guaranteed by Government. The Government may have a voice in the administration of banks for a period until their interests are safeguarded.

5. There has not been such an estimate prepared as to find out the existing indebtedness of a village. Roughly the indebtedness of a village may be estimated by undertaking a regular economic survey of each village.

Debts are made chiefly for purchasing seeds, manure, cattle, etc., for maintenance of cultivators' families in the growing season, for meeting expenses of marriages and other social functions, for paying prior debts and rarely for improvements of lands. The debt is largely got from professional money-lenders and co-operative banks.

6. There are no subsidiary industries except hand-spinning here and there. Hand-spinning and weaving and cumbly-weaving industries can be organized on co-operative lines. The co-operative banks may finance such industries.

7. The relationship between the co-operative and other banks is not great. The Imperial Bank of India gives loans to a specified limit to the district co-operative banks and the central urban bank, but not to primary societies. There are no relations whatever between co-operative institutions and joint stock banks or indigenous bankers. There is no competition whatsoever between co-operative banks and joint stock banks in this district.

II.—Indigenous banking.

1. The indigenous bankers are mostly sahu-kars of towns and villages. They perform some of the functions of the joint stock banks. They give loans for short and also long periods. They do discount hundis and accept them. They receive deposits. But they do not employ the use of cheques. A good number of them purchase jewels from needy people or those who are in debts and resell them. The indigenous bankers are a trusted lot but they suffer under the disability of lack of adequate finances. This can be obviated if their banking operations are affiliated by any means to those of the joint stock banks or district co-operative banks. In fact such a system of affiliation is bound to come into existence sooner or later since we find the beginning of it in the south where the Nattukottai Chettis are also receiving loans from recognized joint stock banks. The establishment of a reserve bank or a banker's bank may also assist in establishing contact between joint stock or co-operative banks and indigenous bankers. The rediscounting facilities which a reserve bank may provide will certainly help the joint stock banks and co-operative banks to augment their resources and therefore indirectly the resources of the indigenous bankers.

III.—Investment habit and attraction of capital.

There are many facilities for investment in the province, joint stock banks, co-operative societies and banks, insurance companies, provident societies, postal savings bank and indigenous banking institutions. But the habits of investment among the agricultural classes of people who form 80 per cent of the population are very negligible. The rural classes are steeped in indebtedness which again is the result of various causes—illiteracy, the extremely small size of holdings, excessive fragmentation of holdings, social customs which encourage extravagant expenses, agricultural losses due to heavy mortality among cattle, to famine conditions and to similar causes and want of by-occupations. Consequently it is very difficult to expect the poor cultivators to save anything out of their incomes.

**Written evidence of M.R.Ry. U. GOVINDA RAO Garu,
Registrar of Guntur.**

I.—Agricultural credit and credit facilities for small industries.

1. *Methods of obtaining finance.*—For any of the needs falling under (a), (b) and (c) agriculturists take loans generally from the village money-lender or sahukar. They also resort to co-operative banks wherever they exist but only to a very limited extent.

When money is wanted for capital or permanent improvements, loans are also applied for and obtained under the Land Improvement Loans Act but the formalities to be attended to, the delay and other difficulties in obtaining the sanction of the loan and the rigorous methods employed in its collection stand as impediments in the way of the illiterate ryots to secure the loans. Before the money actually goes into the hands of the applicant, the matter is referred to many persons in office whose honesty in lower ranks is not always beyond suspicion. Hence the ryots are not generally very forward to seek aid under this Act.

Rates of interest.—The rate of interest in the villages does not generally exceed 12 per cent per annum. Though in towns petty money-lenders take a much higher rate of interest which goes to nearly 20 per cent, the village money-lender is not so exacting. In urban co-operative credit societies interest is charged at 9½ per cent per annum for both short and long-term loans. But in these societies, the interest is payable every six months. This rule does not obtain with the village money-lender and the dealings with him are therefore found more acceptable to the ordinary ryot.

In villages far removed from market towns and having no proper communications, a system of grain loans is still in vogue where, in lieu of interest, for every measure of grain loaned one-quarter measure is stipulated to be given.

Even in the case of cash loans the money-lender generally enters into an arrangement with the debtor for the sale of the produce to him soon after the harvest and thus obtains, besides interest, the additional advantage of purchasing the produce for a cheap price.

Nature of security.—The nature of security depends upon the amount of the debt and the status of the debtor. For small loans the money-lender is satisfied with a pro-note or a bond without any collateral security. Sometimes there is nothing more than a mere entry in the account book of the creditor to evidence the transaction. But for loans of petty large sums amounting to Rs. 100 or Rs. 200 cattle, carts, standing crops, etc., are pledged. When larger amounts are loaned they are secured by the mortgage of lands or other immovable property.

For loans in the co-operative banks one or more sureties join in the execution of the instrument of loan. In the absence of sureties, lands or other immovable property are taken as security.

Periods for payment of loans.—Loans for agricultural purposes, being generally for small amounts, are made payable within a year or more often in the harvest season or as soon after as possible. The larger loans are generally fixed for three years and even a much longer period if they are secured by mortgage of immovable property. Compound interest with annual rests is not an uncommon feature of long-term loans obtained from the village sahukar.

Part played by the various credit agencies in agricultural finance.—It is more the professional money-lenders and merchants and to a limited extent, co-operative societies, that aid the agriculturists to raise the necessary loans rather than the Imperial Bank or any other bank or the Government.

The Government, beyond granting loans under the Land Improvement Loans Act, does nothing to afford facilities to the ryots to raise loans to meet their requirements.

Co-ordination between credit agencies.—There does not appear to be any co-operation between the various banks lending credit. They seem to be working apart and independent of each other.

2. Methods of marketing crops.—The present method of marketing produce is either to sell it to the creditor in the village as above stated or to cart it to the nearest market town and sell it to the merchant dealers. More often, the produce is stored in the godowns of a commission merchant in the market town and the latter holds it in his custody as agent for the owner and sells it for a proper price when the market is favourable and receives commission for his trouble besides rent and other godown charges. This commission merchant very often advances money to the ryot on the security of the goods placed under his custody and recoups the amount of the loan out of the sale proceeds of the goods.

Big ryots have the advantage of obtaining loans from the Imperial or the Indian Bank on their produce stored in the godowns, sealed and held in the possession of the agent of the bank. The ryot can sell away the produce at his convenience and get the same released from the bank on paying back the loan. If the co-operative banks also similarly lend on the security of the goods as is done at Alamur in the East Godavari district, the smaller ryots also will have the same facility for marketing their produce as the bigger ryots.

Facilities for internal remittance.—Internal remittance is facilitated by the issue of hundis or barathams and cheques for the value of goods sold or purchased.

Classes of hundis.—There appear to be only two kinds of hundis, i.e.—

- (1) the Darsan Hundis, i.e., hundis providing payment immediately on presentation, and
- (2) the Vayida Hundis or Barathams in which payment is fixed for some days after sight.

3. The value of land.—The value of wet land fit for raising paddy varies from Rs. 1,000 to Rs. 2,000 per acre in this district.

Dry lands fit for growing commercial crops such as tobacco or chillies sell at Rs. 300 to Rs. 500 per acre. In some villages these lands fetch Rs. 700 or Rs. 800. Lands on which garden trees such as coconuts or plantains are grown are sold at Rs. 2,000 per acre.

Dry lands where cholam or ragi is raised fetch only Rs. 300 or less per acre.

Factors affecting the value—

- (1) Competition owing to thickness of population in the village.
- (2) Facilities for irrigation.
- (3) Quality of the soil.
- (4) Facilities for marketing the produce.

In sales by private negotiation, there are ample opportunities for securing the maximum price which the land is capable of fetching but in the revenue or court auction such opportunities are almost absent. The sale is effected within a fixed time, at a fixed place, generally far removed from the land and without proper opportunities for personal inspection or for securing necessary information.

4. Impediments to mortgage.—There are generally no legal impediments to the mortgage of lands or other agricultural holdings in this part of the country.

Land mortgage banks.—There are no land mortgage banks in this part of the country except the one recently opened at Gudlavalluru, a village in the East Kistna district and in Alamur, East Godavari district.

The capital for the former bank is raised mainly by the issue of debentures.

Land mortgage banks must be opened in each district and if possible at the headquarters of every taluk and these banks must be supplied with capital by the issue of debentures and by a central bank in the provincial centre. Deposits also may be received to supplement the capital.

Government guarantee.—Government guarantee of interest or principal or both will serve as an incentive to private individuals to take debentures and conduce to the stability of the bank but it is apprehended that such guarantees will tend to kill initiative and enterprise on the part of the people.

It may be advisable to limit the guarantee to interest only for a number of years, say, for the first 15 years of the opening of the bank.

A fund may be reserved out of the profits of the bank to be held as against any unnecessary losses of the Government by reason of the guarantees.

4. (a) *Improvement of the record of rights.*—At present the indexes in registration offices are maintained according to revenue pattas, but the Revenue Department does not communicate either in time or accurately the mutation of names or pattas. This inconvenience can be obviated by having both the departments under one head, say, one member of the Board of Revenue.

In respect of civil courts, it is suggested that copies of all decrees regarding immovable properties may be sent to the registration office, so that all transactions affecting the rights to immovable property may be found in one public office. At present, only sale certificates are supplied but they cover only a part, probably a small part, of the transaction affecting the title to immovable properties.

Bona fide purchasers or mortgagees are seriously prejudiced by exempting from compulsory registration transactions relating to immovable property below the value of Rs. 100. To obviate this difficulty, it is desirable to make all such transactions also compulsorily registrable.

5. There appear to be, so far as this part of the country is concerned, no instances of efficient farmers being turned into tenants for a period or tenants at will through the process of enforcements of old debts. There are, no doubt, many instances of agraaharamdars, large inamdars who are neither farmers nor cultivators being deprived of their lands through this heavy indebtedness.

6. *Subsidiary industries.*—Rice-milling is an industry which has expanded in these parts to an almost undesirable extent. There are at present rice mills in many village centres in the delta tracts, particularly in the district of Godavari. Though these are helpful to dispose of grain produced in the area, they appear to have become too numerous and to have created an undesirable competition.

The milled rice is also condemned as decidedly unhealthy and the increase of the cases of beri-beri and consumption in the districts is attributed to the use of milled rice.

Dairy-farming is by no means a common industry in this province, facilities for fodder and cattle-breeding being very much limited.

In this district, besides the Government experimental farm at a village called *Lam* there is only one farm under the management of a Christian Missionary to whom some land in the neighbourhood of the above experimental farm is granted by the Government.

There is a sugar factory at Samalkot, East Godavari district and it is now managed by foreign capital by Parry & Co.

Such industries require capital and some technical skill both of which are wanting in the country. They can be promoted only through Government aid by the grant of capital loans on easy terms as to the repayment and rate of interest.

The technical knowledge required will have to be supplied by a special agency of the Government, say, some Inspectors who are competent to give technical instruction and guidance to those employed in such industries.

Hand-spinning is a well-known ancient industry in India and was once very prosperous. Though it had greatly disappeared during the last century, it is now reviving through the efforts of the All-India Spinners' Association. This association has started branches in sixteen places in India and they are working with a capital amounting to nearly 25 lakhs of rupees.

According to the report of the association for the year 1927, it will be found that there were 177 khadi production centres in different parts of the country, 62 of which were departmental, 41 aided and 74 independent. There was also 204 sale depots that year. The number of spinners employed was 83,339, weavers 5,193 and carders 627.

The activities of those several production centres covered nearly 3,000 villages. The value of the total production for the year was nearly 25 lakhs of rupees and the sales amounted to Rs. 33,50,000.

The industry does not require any machinery beyond the ordinary country charka or the spinning wheel and the usual handloom or country loom, nor does it need much technical knowledge.

The association has advertised for a more efficient charka, for the invention of which a prize of one lakh of rupees has been promised by the association.

This industry will develop rapidly if the Government undertakes to help the association with additional capital by grant of subsidies or loans on easy terms and also aid the release of the stocks of the association by ordering its several departments to have their supplies of cloth from the sale depots of the association.

Employment to the farmer out of job.—The hand-spinning is considered to be the best industry which can take the place of a secondary occupation to the agriculturists who form the most numerous part of the population in India. The agriculturists have no occupation for some months in the year as their agricultural work does not take them for more than six or eight months.

Though what is earned by spinning is a trifle, it is not so negligible an addition to the income of the ryot which is meagre.

7. The relations between the co-operative banks and other banks.—The district co-operative banks are allowed to draw overdrafts from the Imperial Bank to the extent of their credit and for the amount so drawn they endorse and give as collateral security the bonds executed by the village co-operative societies with unlimited liability. All surplus moneys including the deposits are credited into the Imperial Bank under the account of the overdraft.

Besides this there does not appear any other relation between the co-operative banks and other banks.

II. —Indigenous banking.

1. There are numerous private individuals and firms in all parts of the country doing large business as money-lenders, but there is no special arrangement to receive deposits.

Marwaris coming from Northern India are found in almost all the towns in this and in the neighbouring districts. They are generally agents of certain firms carrying on business in different cities in the north and they give loans to local merchants and other dealers. Their business is extensive as they invest lakhs of rupees in it. The rate of interest is generally high and sometimes very high, going up to 24 per cent per annum.

Many small merchants in the towns depend for their capital upon these Marwari loans and even ryots from the villages who have in recent times taken to luxurious habits of life are resorting to these Marwaris for loans which are sometimes of very large sums for which they mortgage their lands and even their dwelling houses.

III.—Investment habit and attraction of capital.

1. There are hardly any means or institutions in the country to encourage savings and promote the habit for investment. The generality of people have little to spare out of the meagre income they have. Ordinarily, ryots though they live very economically find the incomes from their small holdings hardly sufficient to meet the usual necessities of life. It is only the professional classes like merchants, vakils, etc., that can make some savings.

The general habit of the people to spend upon jewels is not because they find savings out of their incomes but because of their love for ornamentation. They have a sense of aesthetics which is in many cases inordinate and requires to be satisfied. The love for ornaments is also due to the influence of women and to the acquiescence of man who will dispose of the jewels the last when occasion requires it and thinks it to be a safe and sure saving.

The spread of education and change of circumstances are working a change though in a very tardy manner in the habit of the people. Investment generally takes the shape of land rather than any business or industry.

The agriculturist always seeks to add to his holding by investing whatever he can possibly spare.

The increase in price of grain and other articles of produce is an incentive for purchasing land and investing money upon agriculture.

**Written evidence of M.R.By. N. GOPALACHARIYAR Avargal,
Vakil, Devakottai.**

I.—Agricultural credit and credit facilities for small industries.

1. I belong to a village called Kaliyanapuram in the Tanjore taluk in the Tanjore district.

In my village there are wet and dry lands. The mirasdars are in the habit of getting lease deeds from tenants who are actually cultivating the lands and paying the lease amount. The so-called tenants cultivate the lands out of the money they have with them or they borrow from some others.

These people (tenants) have nothing to do with agricultural finance by Government or the Imperial Bank of India or the joint stock banks or co-operative banks or professional money-lenders. They somehow manage to get seeds, sow them and transplant them and see that the terms of the lease deeds executed by them are carried out as far as possible, of course regard being had to the changes in monsoon, the mischief by insects and the inadequate supply of rains and water.

2. So far as agricultural operations are concerned, the tenants in Tanjore district are not conversant with hundis and in fact I may boldly say in a majority of cases they do not know what is meant by a 'hundi'.

Only recently co-operative banks have been started and I cannot say that the moneys borrowed by the tenants from such banks are really for agricultural purposes. So far as marketing of produce is concerned, the tenants are adopting the uniform old method of sending their produce by a double bullock handy to the nearest railway station after making their own arrangements with their customers who are in need of the articles. It is impossible to describe the parts played by different classes of bankers and merchants in marketing the produce as the contract between each tenant and his customer is exclusive and as there is no general organism or rule framed or measure adopted in the marketing of the produce.

3. In my village wet lands are sold at Rs. 1,500 per acre if single crop and Rs. 1,800 if double crop and dry lands are sold at Rs. 2,100 to Rs. 2,700 per acre, but this may vary in other parts of Tanjore district. There is no practical difference in the value of the land either in Government sale or sale by court decree or purchase by private negotiation. But in my opinion the price is excessive when the produce of the land and the bank interest are taken into consideration.

4. There is no legal impediment to mortgage of land and agricultural holdings in the Tanjore district. There are no mortgage banks or any other bank for the provision of long-term credit. If any such bank is established it will be of immense use to both mirasdars and the cultivating tenants. But about the way in which such banks should work, I am not in a position to suggest the proper lines as I do not profess to know "Banking."

6. There are no other useful industries such as handloom, etc., in which the people are interested.

II.—Indigenous banking.

So far as Indigenous banking (II) and investment habit and attraction of capital (III) are concerned, they are practically not in vogue in the Tanjore district and as myself am not in a position to suggest any useful propositions regarding them, I do not venture to answer the questions regarding them in detail.

III.—Investment habit and attraction of capital.

Postal cash certificate and Government security bonds will not attract the tenants as they are not sufficiently educated. The only practical and possible way of redeeming the present deplorable condition of the ryots in the district is by the institution of co-operative banks and giving of loans for agricultural purposes and by proper scrutiny of the same.

**Written evidence of M.R. Ry. K. V. AL. RM. RAMANATHAN
CHETTIYAR** Avargal, President, Union Board, Kottaiyur,
Ramanad district.

General.

1. The ryots generally borrow money from their landholders and repay without interest during the time of harvest. In most cases they are unable to do so. Therefore they are not expected to receive substantial help from the landholders when they are in need of money for cultivation, capital improvement, and for meeting difficulties during famine and scarcity of rain.

2. They do not receive substantial help from the Imperial Bank and money-lenders. The approximate amount that may be required for the above purposes in this district will be 3 to 5 lakhs.

3. The different institutions established for lending money to the ryots may have a conference once in a year and decide what amount may be set apart for helping the ryots by means of loans.

4. A mercantile committee consisting of the Collector and some big merchants and some selected members of district and taluk boards may be formed to fix the prices of articles to be sold during the particular months of a year when the petty merchants generally raise the prices of articles unreasonably without bounds and limits.

5. An agricultural committee may be formed in each village and taluk to represent the conditions of ryots and to seek a remedy for them.

6. The indigenous and cottage industries can be revived only when there is a regular propaganda by the Department of Industries and substantial financial help from the Government, public institutions and capitalists.

7. The indigenous bankers carry on money-lending business in foreign countries as there is no prospect of recovering the money lent in this country since the ryots are generally poor and are even unable to maintain themselves all the year round.

8. To help them to some extent the Departments of Agriculture and Industries may appoint some additional men to investigate the conditions of the ryots and artisans and formulate proposals to improve their conditions.

9. The population of this province being poverty-stricken, they are mostly unable to invest any capital in postal savings bank and Government cash certificates, etc. Moreover the customs and manners go to a great length to hinder the prospects of the nation. They may be mended to some extent if there is organized co-operation among the different classes of people who may form associations of their own and do propaganda work in right earnest.

10. A central provincial bank with branches in some important centres in the Presidency will greatly help the agriculturists and labourers.

Written evidence of M.R.Ry. P. N. CHOCKALINGAM CHETTIYAR
Avargal, President, Taluk Board, Sivagangā.

I.—Agricultural credit and credit facilities for small industries.

1. The ryots in these parts usually borrow for expenses during cultivation and other special needs from the landlords in the case of inam or dharma-sanam villages and in other cases from the local money-lenders. Very little is spent on capital or permanent improvements. The usual rate of interest is not less than 12 per cent and not more than 18 per cent. The loans are advanced on pro-notes, on the security of immovable properties or on jewels. It is not usual to advance loans on the security of standing crops.

The agriculturists in these parts do not derive any financial help from the Government, the Imperial Bank of India or the joint stock banks. To a small extent the co-operative banks render financial help to the ryots. It is to the local money-lenders, the village landlords or mahajans, the petty merchants and the comparatively well-to-do in the villages that the agriculturists go for financial assistance.

There are no credit agencies excepting the co-operative societies in these parts.

4. There is no legal impediment to mortgage of land or holdings. There are no land mortgage banks or other banks for the provision of long-term credit. In the zamindari tracts it is not possible at present to form land mortgage banks since the landlord has got a first charge on the holding for arrears of rent. If land mortgage banks are started it will take a long time for them to attract local deposits. The capital must be derived from funds from central institutions or on debentures with Government guarantee for principal and interest.

**Written evidence of M.R.Ry. D. SITARAMAYYA PANTULU
Garu, B.A., Revenue Divisional Officer, Narasaraopet.**

I.—Agricultural credit and credit facilities for small industries.

1. (a) Mostly from private money-lenders.

(b) From State loans under the Agriculturists Loans Act and the Land Improvement Loans Act and also from loans from private money-lenders.

(c) Failure of monsoon—State loans.

(d) Land revenue—Loans obtained from local money-lenders.

Rates of interest.—The normal rate of interest generally demanded by private money-lenders is 12 per cent per annum. The Marwari merchants who act as private money-lenders advance loans for short periods at exorbitant rates ranging from 25 to 30 per cent per annum. The rate varies according to the period for which loan is obtained and to the solvency of the debtor. The interest on Government loans was at 7½ per cent per annum. It has been reduced to 6½ per cent recently.

Period for which loans are taken.—Loans are taken for one year generally in these parts for agricultural purposes. Failure to pay within one year entails the necessity to renew the pro-notes including the principal and the interest accruing within the period. This method amounts to the levy of compound interest.

Nature of security given and accepted.—Loans for long periods are advanced on mortgage of immovable property. Loans for short periods are given on mortgage of standing crops, etc. Loans of the latter kind are of the following kinds:—

(i) The debtor binds himself to pay the creditor at a certain rate per bag of the produce realized from the crop for the use of the money taken, allowing himself (the debtor) to sell the produce to whomsoever he pleases and pay the principal.

(ii) The creditor and the debtor agree, the former to purchase and the latter to sell the produce mortgaged at a particular rate. Neither of the two parties is allowed to go behind the conditions of the agreement, i.e., the creditor purchases the produce before it is ripe for harvest at a fixed price and pays the debtor the price in advance. The debtor is bound to hand over the quantity of produce purchased by the creditor at harvest.

(iii) Loans are repaid in some cases by instalments in kind. The repayment to be made in kind at the end of every year is also fixed at the time of taking the loan as well as the total period within which the loan should be repaid.

Part played by different agencies.

Government.—State loans are granted for agricultural purposes under the Agriculturists and the Land Improvement Loans Acts.

Imperial Bank of India.—Loans are granted in the Imperial Bank of India on the security of co-applicant. The loans are mostly granted during the harvest season and they are repayable in three months. Extensions in exceptional cases are granted up to six months and no more.

Joint-stock banks and indigenous banks and bankers.—There are no such banks in this division.

Co-operative banks.—These are not properly managed in villages. The ignorant villagers who become members of these bodies are not properly educated and they are handicapped by the office-bearers who in most cases appropriate the sums available to themselves. There were cases of criminal misappropriation of funds by the office-bearers and those in which the sums taken as loan by the office-bearers or others had to be recovered under the provisions of the Land Revenue Recovery Act.

Ordinary money-lenders.—The part played by these has already been dealt with above. The agriculturist for want of better means of raising the necessary capital for his business, often plays himself into the hands of these unscrupulous money-lenders who bring pressure to bear on the debtor at an inconvenient hour and extract unreasonable and exorbitant conditions from the debtor which make him involved in constant indebtedness to the private money-lender.

Rectification of defects.—This miserable state of affairs to the agriculturist may be averted by increasing the number of co-operative banks, with good financial status under close supervision by the Co-operative Department. An easy and regular method of repayment of the debt is essential so as not to allow the debt to grow out of all proportion to the property.

Co-ordination.—This is not possible under the present circumstances as banking is conducted on commercial pursuits. The only way to remedy the defect is, if possible, to come to an agreement in regard to the distribution of profits every year.

2. Marketing is generally made on commercial system. In most cases the producer and the purchaser do not deal direct. There is always a commission agent who deprives the producer of an appreciable share of his profits. As the rustic producer is ignorant of the tricks played by the commission agents in towns, he is often deceived in disposing of his produce in towns.

Credit facilities required in marketing produce.—The Imperial Bank generally gives loans on the mortgage of the produce in sealed godowns. This facilitates the disposal of produce in a more favourable season. There is no difference in advancing loans on articles of internal trade and foreign trade. The only consideration in these cases is whether the produce offered as security commands a good price or not.

3. *Value of lands.*—This is a dry region. The value of the land depends upon the fertility of soil and its distance to the market. The lands fit for garden crop such as tobacco, chillies, etc., are worth from two to six hundred rupees per acre. The less fertile lands in these rocky regions are worth even less than Rs. 100 per acre. There are extensive rocky lands which are not coveted by anybody.

There are wet lands also under minor irrigation tanks which are purely rain-fed. The rains in the Vinukonda and Palnad taluks are especially precarious. Even these wet lands are generally worth between two and six hundred rupees per acre. In Santamagular of Narasaraopet taluk and Peddakancherla of Vinukonda taluk there are some fertile lands worth Rs. 1,000. The sales of land for arrears of land revenue are very scarce and the sale by court decrees also are few in number.

4. There is no legal impediment to mortgage. Agricultural banks started on sound co-operative lines under proper supervision may be of great help to the ryot.

Record of rights.—In spite of strenuous attempts to bring the record of rights in close agreement with actual enjoyment on ground, it is not up to date. The only remedy seems to be to collect the subdivision fees even before the registration of the documents in the Registration Department, compulsorily subdivide the lands transferred and register them in the name of the transferee after due enquiry.

6. Generally women belonging to the lower classes engage themselves in hand-spinning when they have no work in the fields. They spin enough yarn which suffices for their cloths for the year. Generally it is the Adi-Andhras (Malas) who prepare cloths with this hand-spun yarn. This is one of the chief avocations when there is no agricultural work to attend to.

There are also some industries of a minor nature which are confined only to particular villages, e.g., mats made of tunga-grass are prepared at Invole of Vinukonda taluk; blankets made of wool are manufactured at Dronadula of Narasaraopet taluk; stone pictures are made at Durgi of Palnad taluk, stone-buttons, etc., are made at Koppukonda, paper weights made of polished stone are prepared at Rentachintala; camp cots and camp chairs with iron legs are manufactured at Narasaraopet.

I think, if small loans are granted by the Government to the manufacturers of these articles from time to time, these persons will be encouraged to manufacture them on a larger scale and derive some profits out of their business.

I have no remarks to offer about the other points raised in the questionnaire.

**Written evidence of the Agent, The Imperial Bank of India,
Berhampur.**

I.—Agricultural credit and credit facilities for small industries.

1. The ryot in this district (Ganjam) obtains finance for his agricultural purposes as under:—

(a) (i) Borrows paddy or other seeds as loan, on condition that it should be repaid in kind, with interest in kind, after the harvest is over.

(ii) Borrows money for purchase of seeds for cultivation at interest ranging from Re. 1 to Rs. 1-8-0 per cent per mensem, on the condition that the amount so borrowed shall be paid after the harvest in cash.

(iii) He also borrows money from money-lenders or big ryots at a lower rate of interest, on condition of his selling his produce through them, for which they get some commission.

(iv) He also borrows money from the above, on condition of his selling the produce at a certain rate fixed up at the time of advance.

(b) For capital and permanent improvements he either adopts the above courses or borrows money from the Government, under the Agriculturists Loans Act repayable in easy monthly instalments.

(c) For special needs, the ryot raises money on pledge of gold, or other movable or immovable properties in case of failure of monsoon, and in the case of land revenue, he follows the above system. The rates of interest charged vary from 12 to 18 per cent. Loans are generally taken from June to December. Security differs with reference to the solvency of the ryot generally and the advances granted as enumerated above.

Part played in agricultural finance by Government, banks, etc.—The Government do not in any way finance the agriculturist in this district, except that they give loans for land improvements, repayable in certain instalments under the Lands Improvement Loans Act. The ryots are financed directly or indirectly through the banks, money-lenders, and larger merchants. We have two central co-operative banks—The Ganjam District Co-operative Banking Union, Ltd., and the Aska Central Co-operative Banking Union, Ltd. These are assisted by the Imperial Bank of India, and in their turn, they finance rural societies numbering about 400. The rural societies in their turn finance the ryots in their villages.

Estimate of total amount of capital required for the above purposes.—Sixty to seventy lakhs of rupees are required for finance in this district.

Defects in the present system.—The trouble with the ryot is that he is not able to get his finances at a cheaper rate from the big financing agency. The ryot, being ignorant of other financing resources where he could get advances at a cheaper rate, and more led by scruples and customs, always prefers to go to the nearest money-lender for any financial help and subjects himself to any conditions which the money-lender, to meet his own gains, imposes. This system is in vogue from time immemorial and they do not wish to break their business connection.

Remedies.—The ryots must be notified by a big propaganda to approach the co-operative banks which must be instructed to help them after codifying such rules as may be necessary for assisting them. Co-operative banking system is the only remedy for removing the deplorable conditions of the ryot. There is no co-operation among the credit agencies worth mentioning, as each agency follows its own course.

2. *Methods of marketing the principal crops, as at present.*—For produce which is consumed in the country, say, paddy, ragi, cumbu, gingelly, etc., the intermediate merchant or money-lender receives the produce harvested by the small ryots in their own villages and takes it to the market centres where it is sold to the merchants that come from different places where it is required for consumption. In the case of bigger ryots who can finance themselves and can work without the money-lender's intervention, they take

it to the market directly and sell it. In the case of produce that is exported to foreign countries the same procedure is followed, but the agents of the exporting firms or some commission agents intervene between the ryots and the purchasing firms. There are neither pools nor co-operative efforts in marketing produce in this district. There are possibilities of forming pools by co-operative effort if they are organized by propaganda. By means of co-operative societies, the ryot must be financed a certain portion of the value of the harvested crop to meet his immediate requirements and to enable him to take his produce for marketing directly. At present, where there are co-operative rural societies, this is being done, and when the produce is held by bigger merchants awaiting favourable rates, other banks finance stocks. There is no difference between internal trade and foreign trade in regard to such facilities at present, but the bankers generally take care to see that they give the minimum advance on all foreign trade produce, taking into consideration the demand for the produce and the ruling rates.

Existing facilities for internal remittance.—The Government gives the facility of transferring money from one place to the other by Treasury Transfer Receipts (T.T.R.'s) at 1/16 per cent to all banks, bankers and merchants. The same facilities are given by the Imperial Bank of India to all the public for transferring funds from one branch to another. In some transactions, the merchants draw demand drafts on the firm or individuals to whom they send the produce and negotiate them through the banks. In some cases, the demand drafts are negotiated through the merchants themselves. In this matter, there is sufficient facility for internal remittances. I see no defects in the present system, nor have I any suggestions to make. When produce is exported to other internal places, the amount is drawn by demand drafts, or Usance Bills, which are negotiated through the banks generally. In some cases, the drafts are sent to the places where the produce is exported to, in payment of other kinds of produce imported or for collection with easy terms of repayment.

Negotiable instruments.—I think, the merchants feel that the stamp duty on the Usance Bills is heavy and some facility can be given by reducing it. In this district, hundis are classed as (1) Demand, and (2) Usance Bills. There is no peculiarity in them.

Hundis emanating from this locality are generally discounted at the Imperial Bank of India, and to a small extent held by merchants and commission agents. Generally, money is not raised during the process of marketing on any instruments of ownership, such as railway receipts, etc., but to a very small extent, small loans are taken on produce locked up by the person advancing the money. In the case of railway receipts which are consigned to the consignees, residing at other places, I would suggest the Railway Department may be prohibited from delivering the produce until the railway receipt is produced, as they are now freely taking delivery by presenting an indemnity bond or letter, causing inconvenience in the collection of money for the person holding the bill and railway receipt at times.

It is, no doubt, advantageous to have licensed warehouses on the lines of the system which may be useful for marketing purposes.

3. *Value of land.*—The value of land in this district is as follows:—

(1) Wet inam lands fed by channels on which cane-jaggery, paddy, and gingelly are grown, is valued at Rs. 1,000 to Rs. 1,500 per acre.

(2) Canal-fed Government jirayati lands used for growing the above crops are valued at Rs. 1,000 per acre.

(3) Dry inam lands used for cultivation of grains, ragi, groundnut, etc., fetch Rs. 400 to Rs. 500 per acre.

(4) Dry Government jirayati lands fetch Rs. 3 to Rs. 400 per acre.

The principal factors affecting such prices are:—

(1) Tenure of the land under which the land is held.

(2) Situation of the land.

(3) Water source by channels, tanks or rain-fed.

(4) The prospect of getting more yield by getting the land repaired.

The value of land in Government auction for non-payment of revenue will generally be for 100 or 200 less than the original value minus the arrears due on it, the purchaser undertaking to pay the Government dues. In the case of court decrees, they fetch a little less as noted above, subject to the payment of the decree amount. In the case of private negotiation, the value of the land depends more on the necessity of the seller.

4. *Legal impediment to mortgage of lands.*—Except in the case of inam lands, tilled by the ryots who have no occupancy right, there is no impediment to mortgage the lands.

5. *Indebtedness of the agriculturist.*—I have not made any personal estimate of any indebtedness of any village, but can say that, generally, the indebtedness of a ryot does not exceed one year's income in the case of small ryots in inam villages, and in the case of jirayati villages where there are occupancy rights, does not exceed more than 25 per cent of the occupancy right value. This will give an idea if any village is offered for an estimate. The indebtedness can be calculated with reference to the above observation.

This is my practical experience, (a) 5 to 10 per cent may be taken against registered mortgages, (b) nil and (c) say 15 per cent and balance on pro-notes 75 per cent.

Proportion of indebtedness.

May be divided as under:—

- (a) Payment of earlier debts 5 per cent.
- (b) Marriages, etc., 15 per cent.
- (c) Famine and other kinds of distress 10 per cent.
- (d) Payment of land revenue 25 per cent.
- (e) Compound interest 10 per cent.
- (f) Seeds and manures 25 per cent.
- (g) Agricultural implements—Nil.
- (h) Cattle—13 per cent.
- (i) Education of children—1 to 2 per cent.

Professional money-lenders are the people that are generally resorted to. The rate of interest charged is 12 to 18 per cent and is compounded every year. Any amounts paid are credited to it. In case of failure to repay the debt, civil courts are resorted to, decrees are obtained, and the properties (cattle, produce, houses and lands) are attached. We cannot say that a large number of people who are efficient farmers are turned into tenants through the process of enforcement of old debts and the landed property eventually passing into the hands of the creditors, but say about 5 to 10 per cent of the people might have been turned out like that, especially due to famine and other extraneous causes. I do not consider that the process of enforcement of old debts is taking away from the actual cultivator the incentive to produce more.

6. *Industries.*—There are about 15 rice mills and groundnut decorticators in this district. Jaggery is made from cane juice by boiling the juice in iron pans in many parts of the district. Rearing of betel leaves, coconut and other vegetables and in the agency tracts, lac, turmeric and kamala powder are either manufactured or cultivated. This district is famous for silk spinning and weaving, and brass-ware industry. Weaving and spinning industries are the only industries, which can be resorted to by the farmers during summer, when they will have no other agricultural avocations. Very small capital is required for this purpose and can be supplied by co-operative societies which can be formed for this purpose.

(a) Hand-loom and weaving industries are common in this district. Fisheries can also be improved. This district is famous for brass and bell-metal works.

II.—Indigenous banking.

There are no indigenous banks in this district but local money-lenders accept deposits at interest.

III.—*Investment habit and attraction of capital.*

1. The Imperial Bank of India is the principal banking resource in this district and there are also two district co-operative banks, The Ganjam District Co-operative Banking Union, Ltd., and The Aska Central Co-operative Banking Union, Ltd. Only Government servants and people who do not like litigation go to the banks to invest their monies, and all others like to invest in more paying transactions, such as D.P. note advances to the people and mortgages, etc. It is impossible to extend facilities to the interior places without great organizations. The average ryot and other middle and wealthy class like to invest their major portion on jewellery.

2. Postal cash certificate investments are availed of only by highly paid Government servants, and not by the general public and the ryots.

3. The bank gives all facilities for purchases of Government securities by giving them advances which are to be repaid in easy instalments or otherwise. Regarding sale or purchase of Government or other security, if surplus money comes into the hands of an ordinary ryot, after defraying all charges of cultivation, he purchases a small quantity of gold and also invests in land and cattle. If it comes into the hands of the merchant, he will invest in money-lending or storage of produce. If it comes into the hands of a middle class man, other than the ryots and the merchants, he invests generally in gold and money-lending, and rarely in banks. Say 5 to 10 per cent of big farmers lend to fellow agriculturists, practically with almost all the conditions of a money-lender. In prosperous years, they invest on gold and lands. During the last one decade, owing to the good prices ruling and higher wages given, the indigenous population can be said to be a little prosperous.

4. *Cheque habit.*—The cheque habit is gaining popularity among the educated classes, and the abolition of stamp duty has greatly increased the cheque habit. This will be an impetus to open as many accounts as possible with a bank and also to economize the expenditure. If cheques are made out in the vernacular of the district, they can be popularized among the people who do not know English.

5. The banking habit in India is, of course, of a very slow growth. This is chiefly due to the non-existence of banks within easy reach of all and good propaganda.

The Imperial Bank of India.—It requires no special mention as it is quite apparent that by the opening of new branches by the Imperial Bank of India, trade has prospered in many places and the banking habit and facilities have been taken advantage of by the educated and mercantile communities, who are being financed directly and who are financing in their turn about 20 to 25 per cent of the ryot population in this district. The facilities offered by the bank for remittances of funds are greatly appreciated and the banking institution has become a chief factor among the mercantile community.

**Written evidence of the Agent, The Imperial Bank of India,
Calicut.**

I.—Agricultural credit and credit facilities for small industries.

With reference to your circular of the 27th August last, enclosing a copy of the questionnaire in connexion with the banking enquiry, I give below a few details regarding the financing and marketing of local crops.

1. Finance is obtained by the agriculturist in this district by the pledge of his standing crops. For this purpose, being a man of small means, he resorts to the village money-lender, and in addition to being charged exorbitant rates of interest, which vary from 9 to 18 per cent, he on many occasions has to agree to sell his crops when harvested through the agency of the money-lender, before obtaining his financial requirements.

For capital expenditure, mortgages are resorted to, but for permanent improvements the tenants depend on the landlords, and, as soon as any such improvements are carried out, rents are usually raised in proportion. In the event of a failure of the monsoon and the cultivator being unable to repay advances from the sale of crops, he has to resort to mortgages for short periods or to the pledge of his movable property, such as family jewels, etc.

The main difficulty in financing the producer is due to the fact that he is usually a man of small means, living away from the centres where he is likely to obtain his requirements and with little or no education; and although co-operative banks have spread to some parts of the interior it takes many years for the agriculturist to realize the benefits to be derived from such banks.

2. The principal crops in the district are pepper, ginger, arecanuts, paddy and coconuts (copra and coir yarn). These to a large extent are brought to sale through the medium of the money-lender who originally advanced to the cultivator. He in turn sells to a commission agent or broker at the exporting centres, who finally sells to the exporter.

In this district shroffee hundis play a big part in the finance of trade. By way of them money is advanced to the commission agents and dealers who in turn get into touch with the producer in outlying districts and advance them so much pending the arrival and sale of the produce in exporting centres.

Railway receipts and bills of lading form the chief instruments of title employed for the raising of money during the process of marketing.

Written evidence of the Agent, The Imperial Bank of India, Coimbatore.

1.—Agricultural credit and credit facilities for small industries.

2. Coimbatore is a large district divided into ten taluks. The principal crops produced in the district are cotton, groundnuts, sugarcane and other dry crops and the total output of the above will be about Rs. 5 crores per annum.

Cotton.—The area under cultivation is extensive as the soil and climate are suitable. The season for cotton commences in the middle of February and closes approximately by the end of October. The principal marketing centre is Tiruppur though a considerable quantity of cotton finds its way to Coimbatore where it is consumed by the local mills. About 1½ crores is required to move the crop.

Groundnuts.—The crop is mainly grown and marketed in Pollachi taluk and the season commences in August and ends in November. Roughly speaking one crore is required to move the crop.

Sugarcane and tobacco.—These crops are cultivated in fair quantities and the season is from March to July. There are no local marketing centres for the above and in view of the small surplus available the stocks are immediately bought up by up-country merchants. The output of these crops will be about 1 crore and 10 lakhs.

Paddy and grains.—Stocks produced are insufficient for district consumption and large importations from time to time are necessary. The output will be about 1 crore and 15 lakhs.

Finance and custom.—With regard to financing the crops up to the time of marketing and disposing of the same the following course is usually adopted.

The cultivators arrange financial assistance through money-lenders in their villages for the purchase of seed, cattle, manure and payment of labour; in the case of small men a high rate of interest is insisted upon which ranges from 15 to 20 per cent and the amount generally borrowed is about 50 per cent of the average yield.

With regard to the better class cultivators and sub-dealers of good means they invariably deposit their stocks with proprietors of ginning and decorticating factories and commission agents who advance up to 75 per cent of the current market value. With the amounts received they pay off advances already obtained from other sources and the balance of the crop held by the above factories or commission agents, as the case may be, will be kept for a possible rise in price and sold in due course.

In the case of small to average cultivators growing cotton and groundnuts it is customary when the crops are nearing harvesting to arrange financial help from middlemen and agents of mills to the extent of 50 to 70 per cent of the approximate yield at prevailing market prices. With the money borrowed they will repay the money-lender who advanced in the first case. The arrangement made by these cultivators with the middlemen and mill agents, etc., is that the advance will be repaid in kind and any balance over at the end of the season will be paid in cash.

Accommodation is given on the security of a pro-note and in the case of ginning and decorticating factory owners it is frequently considered sufficient if the signature of the cultivator or sub-dealer is taken in their registers for the stocks deposited with them.

Interest on the advance is usually charged at 12 to 15 per cent but much depends upon the financial standing of the party and the amount advanced.

Banks render every assistance in financing and moving the crops by cashing the D.Ds. of exporters and granting advances to approved parties. Generally speaking, it is the practice of the banks to advance to the spinning and weaving mills, ginning factories and well-to-do traders and merchants but the smaller men are financed by the money-lenders, Multanis and others, who in turn obtain a large proportion of their funds from the banks.

Every reasonable facility is given by the banks to finance the general trade of the district, and, in particular, cotton and groundnuts.

**Written evidence of the Agent, The Imperial Bank of India,
Ellore.**

1.—Agricultural credit and credit facilities for small industries.

2. The principal crops of this district are paddy, tobacco, gingelly, and other dry grains, and the following methods with regard to marketing these crops are generally observed by the local merchants.

Paddy.—The agriculturist in the more important delta villages, where rice factories are situated, generally sells his produce direct to the mills at the prevailing market rates—payment in most cases being immediate and in some cases in a week's time.

Ryots in smaller villages, who receive earlier advances from the village merchants for cultivation purposes, sell their produce through the village merchants for immediate credit of their accounts, at the current market rate, and in some cases they hand over the produce to the merchants to be sold at a later period, in which case, in addition to the interest, a small commission and godown rent are also charged.

The village merchants who collect the paddy of the smaller ryots, as stated above, sell, whenever prices are favourable, to rice millers on eight days credit system or send the produce to another commission agent at a central marketing place to be disposed of at their instructions.

The general custom in this district is that no interest is charged in respect of paddy sales to approved dealers if payment is effected within a week, otherwise interest at 9 to 12 per cent is added.

Tobacco.—This is grown in upland villages and when the crop is ready for harvesting, the agents of tobacco merchants in the town go to the villages and collect the stocks from tobacco-growers for which payment is to be made in one month. In few cases, where the individual landlord has very large production, he allows longer time to the dealers for payment.

The stock-holders at the central place will distribute their holding throughout the year to the consuming centres.

Gingelly, gram, etc.—These crops are also produced in upland villages. The smaller ryots sell for cash in the first place to merchants who have established themselves in centrally situated villages in those tracts. These merchants, in their turn, send the collected produce to commission agents at the central marketing place to be disposed of at rates above a certain minimum. The commission agents at the central marketing places generally advance 60 to 70 per cent of the value to the merchants and the usual interest, godown charges and commission are also charged when accounts are eventually settled.

Written evidence of M.R.Ey. Rao Bahadur U. ANANDA RAO
Avargal, Agent, The Imperial Bank of India, Mangalore.

I.—Agricultural credit and credit facilities for small industries.

2. By agriculturist, I mean the landholder and not the tenant, who actually cultivates the land. The staple crops of this district are rice and arecanuts. Broadly speaking, the landholder does not require any financial help during cultivation. On the other hand, it is the tenant that is to meet the expenses of cultivation. These consist of expenditure on seed, cattle and labour employed at the time of transplantation. The tenant does not find much difficulty in meeting them, so long as he is in possession of the land; because, it is only after meeting all these expenses and the cost of maintenance of his family and himself that he gives the stipulated rent to his landlord. If the actual outturn falls below the total expenditure of the tenant, the tenant gives the landlord only what he can afford to pay and not the full rent due. In years of failure of monsoon, etc., it is the landlord that suffers and not the tenant. Again, for permanent improvements, it is the landlord that has to find the wherewithal, and, since the late War, after reaping the very favourable results of high prices of foodstuffs, I do not think it is difficult for a landholder to find money for improvements out of his accumulated surpluses.

The method of marketing the principal crops in the district is for the banks to accommodate the town merchant, who in turn accommodates the village trader to advance money to the petty landholder of the village and get in return his crops, and send them on to the town merchant, who gives him the necessary accommodation. The bigger landholder is quite independent of the town merchant or the village trader and dictates his own terms.

The possibilities of forming pools and of co-operative efforts in marketing produce are few in this district. There were two attempts in this direction, and they proved entire failures. The main reasons for these, I should think, were inexperience and inefficiency in the management; but proper training and knowledge of the business and selection of right persons will rectify the defect.

The only facilities at present available to the public including banks for internal remittances in this district are the post office and the cash orders issued by the Sub-Treasuries. Owing to the easy means of communication by motor bus that now exist throughout the district, I do not think people find any great inconvenience in the matter of internal remittance. No doubt, carrying money by bus involves a certain amount of risk, as there are several ferries to be crossed by the coast route.

The only negotiable instrument that plays a prominent part in the internal trade of the district is what is called "Havala", which is a mere letter addressed by one merchant to another requesting the addressee to pay at sight a certain sum of money to a specified person.

The only kind of instrument of ownership of goods and produce that is employed for raising money during the process of marketing in the internal trade of the district is railway receipt, and no difficulty is experienced in the use of this instrument when the borrower is known for his honesty and worth.

Broadly speaking, a land yielding a mura of rice can be valued at Rs. 100 and that yielding a candy of arecanuts at Rs. 1,000.

4. The only impediment to the free mortgage and sale of land in this district is the prevalence of the Aliyasanthana Law of Succession (i.e., succession in the female line).

There are no land mortgage or agricultural banks in this district. There will not be any dearth of deposits for such banks if established with Government guarantee both for the principal and interest.

6. There are few subsidiary industries supplemental to agriculture, existing in this district, but dairy farming, sugar refineries and hand-weaving can be encouraged for supplementing the income which a tenant derives from agriculture. These industries have to be worked on co-operative basis.

7. I do not think the co-operative societies that are in this district are being starved or handicapped in their work for want of capital.

Co-operation in this district has developed only one side—that of credit—and to an abnormal extent. This undue development has brought credit to the very doors of the villager resulting in indiscriminate borrowing and waste of money on non-productive enterprises. Co-operation in its production and distribution sides has been entirely neglected. If these sides had also been developed side by side, better results could have been obtained. The district is not wanting in capital and intellect. There is also plenty of labour. What is required is the proper directing of these national assets to the right course. If this is done, much good will result.

II.—Indigenous banking.

There is no indigenous banking in this district, taking a banker to mean a person who receives deposits and deals in hundis.

But there are money-lenders who advance money to the extent of their resources to whomsoever they think sound, without regard to the purpose to which the money they lend, will be utilised and the rate of interest generally charged is $12\frac{1}{2}$ per cent per annum.

III.—Investment habit and attraction of capital.

The capital resources of this district are more than sufficient for its commercial and agricultural needs, as is evident from the deposits with co-operative and other banks of this place. But the facilities by these banks are taken advantage of mainly by the rich and the upper middle classes. The poor have no possibilities to save, as their earnings leave little margin above their needs.

Mere literary education in itself is not of much economic value, and if at all the problem of poverty and unemployment is to be solved, it is by working up the natural resource of the country, especially agriculture and industries, and a specialized training, free of charge should be given to the people, so that improved and up-to-date methods of agriculture may be introduced and a better return from land may be got. At the same time an organization of cottage industries in villages will keep the poor above want and thereby afford opportunities of savings.

**Written evidence of M.R.By. M. R. SARMA Avargal, Agent,
The Imperial Bank of India, Negapatam.**

I.—Agricultural credit and credit facilities for small industries.

1. The rates of interest charged in the bazaar in this district in respect of advances vary from 9 to 18 per cent. The period for which these loans are taken is about a year and the securities given are mostly promissory-notes.

2. The principal crop in this district is paddy. Paddy is mostly converted into rice and exported to Colombo, Straits and also to other districts in the Presidency. Advances are granted to mirasdars and rice-mill owners by banks. They keep on the produce till a favourable market arises. Then they are sold locally or outside as the case may be and the sale proceeds are generally received through banks by means of Demand Drafts and T.Ts. and also to a certain extent by vernacular hundis. Demand drafts are drawn for paddy and rice exported with railway receipts or Bills of Lading attached and discounted with the bank.

6. There are many rice-mills in this district where the paddy harvested is milled into rice. These mills are mostly situated near the railway stations and therefore rice is easily railed to principal market centres.

**Written evidence of M.R.Ry. D. SESHAGIRI RAO Garu, Agent,
The Imperial Bank of India, Nellore.**

I.—Agricultural credit and credit facilities for small industries.

1. The agriculturists in the district may be divided into three classes—
 - (a) The humble (or poor).
 - (b) The small.
 - (c) The well-to-do.

All these three types obtain assistance for all their agricultural requirements from the same sources or agencies, i.e., (a) gets help from (b) and (c); (b) from (c) and village money-lenders and (c), from banks and bigger money-lenders.

There is a co-operative movement working in the district but only a small percentage of the ryot population is helped by it. Land revenue is paid by sale of paddy during which season low rates are generally quoted.

Rates of interest vary from 9 to 24 per cent depending on the status, urgency, need of the borrower and security offered by him.

Loans are repayable as soon as the harvesting season is over, i.e., once a year, but they will generally run for three years as it may not be possible to pay off the loans in a year.

The security taken is a simple pro-note from the borrower or an acknowledgment from him in the form of a receipt or a letter or an acquittance in the lender's books where kept. Pledges and mortgages of movables and immovables are also offered and accepted.

The Government grants takavi loans at fairly low rates of interest but these are not popular and workable owing to the delay and on account of the applications not granted in full.

Banks assist ryots and other landowners by granting seasonal loans on suitable security for payment of kists and for agricultural purposes and improvements. The co-operative bank assists its members through several rural co-operative credit societies which are established in many of the rural areas. However it is the professional money-lenders that are mostly popular and generally approached by a great majority of agriculturists as these do not insist on the several formalities and technicalities of the other lending institutions.

There are about 460,000 acres of land where wet cultivation (paddy) is carried on and the expenses for purposes of merely cultivating an acre of wet land inclusive of Government kist come to Rs. 35. There are about 940,000 acres of land in the district where dry cultivation is carried on and the working expenses per acre come to Rs. 10.

2. The crop that is largely grown in the two taluks of Nellore and Kovur of the district is paddy (the dry crops such as ragi, millet, black-gram, chillies, etc.; grown in other taluks are not appreciable, only a small quantity being available for export) which is never taken to any recognized market for sale, as one does not exist, but the middleman intervenes between the dealer and the producer for effecting purchases and sales. In some instances the dry crops are sold on commission. Local traders are not accustomed to hold large stocks and much less middlemen. The risk of holding stocks is considered so great that the trader would only buy such quantity as could find an early sale. The producer has not enough capital either, with the result that he is obliged to sell the produce for what it will fetch. The agriculturists therefore need no credit for marketing their crop as the dealers also manage purchases of stocks with their own monies and with very little borrowed capital.

The town dealer exports milled paddy (rice) on credit and recovers its value later on, (with interest and commission). This system of supplying on credit requires much money which necessitates outside borrowing.

The public make use of the post office to a great extent for sending and getting their remittances. Some of them and many of the merchant population are now making all their collections through banks. The remittances of some of the merchants are made in the same way.

Trade collections are to a great extent made by the sale of hundis through the banks. There are two different kinds of bills, (i) demand bills; and (ii) usance bills. The former are payable on demand and are exempt from stamp duty. The latter bear the necessary stamp and are payable after a certain date or sight.

Railway receipts and bills are the documents employed in raising monies during the process of marketing.

3. The land can be classified under two heads, (i) dry and (ii) wet. On dry lands are grown ragi, millet, black-gram, chillies, etc., the value of which ranges from Rs. 100 to Rs. 300 an acre. Paddy is grown on wet lands the price of which varies from Rs. 400 to Rs. 2,000 per acre depending on the fertility of the soil, its locality and its facilities for irrigation and cultivation. A portion of dry land is utilised as grazing ground which is generally valued at Rs. 50 to Rs. 400 per acre.

Owing to factions, competitive spirit and tendency in the newly rich people to acquire land, Rs. 400 to Rs. 1,000 per acre in cases of wet and Rs. 50 to Rs. 200 in cases of dry land can be got both in Government auction and court sales.

Private negotiation may sometimes fetch as high a fancy price as Rs. 2,000 and Rs. 400 per acre for wet and dry lands respectively.

6. (1) Rice-milling; (2) hand-spinning.

(1) *Rice-milling*.—Paddy is milled and exported as rice to Madras and places in the south where there is usually good demand for this district rice. There are about 30 mills in the district whose annual outturn is 60,000 candies of rice valued at about one crore and twenty lakhs of rupees.

(2) *Hand-spinning*.—This is done on a very small scale by the humbler ryot population, mostly women, when they have no work. The thread that is so spun is utilised for making coarse cloth and fishing nets, etc.

6-A. *Weaving*.—This engages a great many of the poorer classes of people who have taken that as their profession. The manufactures are carried on at Kovur, Nellore, Gudur, Nayudupet and Sullurpet. The cloth woven is locally known as "Kaiyellu" and is turned out in both coarse and fine textures according to demand from outside places, such as Rangoon, West Africa, Manchester and Straits Settlements. The outturn in this industry can roughly be estimated at 15—20 lakhs a year.

**Written evidence of the Agent, The Imperial Bank of India,
Rajahmundry.**

1.—Agricultural credit and credit facilities for small industries.

1. *Agricultural credit.*—The system by which agriculturists in this district obtain finance for expenses during cultivation are as follows and for this purpose they may be divided into three classes:—

- (1) The landed proprietor,
- (2) the smaller ryot owning his own lands,
- (3) the ryot owning no land but working on lease.

In the case of (1) little or no financial assistance is required for expenses during cultivation, only a small portion of his lands being retained by himself and the rest leased out, in lots, to small ryots, for which he receives payment at the rate of so many bags per acre. In the event of the landlord giving away from his lands, they would be leased out for cash.

In the case of (2) the ryot would generally cultivate the lands himself and in most cases would require financial assistance during the time of cultivation, i.e., for transplantation and harvesting—finance for the former usually being obtained by borrowing from money-lenders and for the latter by advances being made to the ryot by millers and commission agents on an undertaking from the ryot to deliver by a certain date, a certain quantity of paddy, at a fixed rate.

In the case of (3) the ryot would generally be assisted financially by the landlord from whom he leases the land or when that is not possible by some of the larger local ryots. This would apply for expenses incurred both of transplantation and harvesting and repayment would be made in paddy. The smaller ryot has to spend approximately Rs. 12—15 per acre on account of expenses for cultivation which would be equal to about two bags of paddy; eight bags of paddy per acre goes to the landlord, so that taking the average yield per acre at 12 bags, the ryot is left with two bags per acre as his share of the profit. If there is a second crop grown on the lands leased, the ryot and the landlord share equally in the total yield of the second crop.

In the event of the ryot requiring credit for capital and permanent improvements, he would, as a rule, if the amount is small, borrow the same from one of the local co-operative banks, but if a larger amount than the co-operative bank could lend is required, he would resort to a money-lender who would lend the amount on a long-term loan on the mortgage of the property.

In the case of credit being required for the payment of Government kist, the ryot would either borrow money from the Marwari or raise a loan with some of the banks by the pledge of jewels. The rates of interest charged by the local money-lenders for loans vary from 9 to 15 per cent according to the stability of the party and the security offered. In the case of a long-term loan made on the mortgage of property, the rate would not usually exceed 9 per cent, the loan being usually granted for a period of five or six years subject to fixed repayment of principal and interest. But in the case of short loans made on demand pro-notes without other security, the rate would usually be somewhere between 12 to 15 per cent subject to a minimum period of six months, the pro-note being made payable or renewed at the end of every year. Marwari money-lenders frequently make advances to ryots and others on the security of the principal produce of the district, the produce being stored in godowns under lock and key. In this case the rate charged would vary between 9 to 12 per cent.

2. *Method of marketing principal crops.*—The principal produce grown in this district is paddy of which there are two crops. The first crop in this area is harvested during the month of December and from the third

week in that month it begins to appear in the markets. At first it only comes in small quantities, as the substantial ryot, who possesses his own lands, usually holds up the paddy in his godowns till about September when prices begin to rise. If he intends trading in the paddy market, he very often borrows against the security of paddy at a cheap rate of interest and buys more paddy while the price is low. The smaller ryot is, however, forced to either sell his paddy immediately to clear the debts he has incurred on account of cultivation expenses, or deliver it to the commission agents from whom he received advances. Any surplus stocks still available are in most cases pledged to banks and in this way he is able to buy more stocks while prices are favourable. Paddy dealers and commission agents buy considerably in the early part of the year pledging the same to banks and taking advances against the paddy stored from time to time. In this way more than half of the total yield is held up till about September when prices usually begin to rise. The second crop which is harvested in May is a three months crop and suitable only for converting into boiled rice. This usually comes into the market much faster than the first crop and is usually purchased straightaway by millers for converting into boiled rice. As will be seen, banks play a leading part in the process of marketing these crops and are able to assist the smaller ryots to obtain better prices for their crops by granting them loans against the storage of paddy until such time as prices improve.

From September onwards the paddy market is usually very brisk and boiled rice is exported in large quantities to Madras, the West Coast and Ceylon. To meet this demand, the millers now buy up most of the available stocks of paddy and, after milling, the same is available for export. Here banks again play a prominent part in assisting millers with accommodation and discounting their bills drawn against exports.

The old practice of receiving remittances through insured post has now almost entirely been done away with and wherever possible the exporter prefers to draw bills through banks.

3. *Value of land.*—Value of land in this district varies according to the fertility of the soil and the irrigation facilities. The best wet land under canal irrigation and on which two crops of paddy can be grown would run from Rs. 1,000 to Rs. 1,500 per acre, and in some cases fetch even Rs. 2,000, whereas certain wet lands where only one crop of paddy could be obtained would fetch from Rs. 500 to Rs. 1,000. The price of dry lands in the district under tank irrigation would vary from Rs. 300 to Rs. 500 and dry lands depending only on rains would fetch a much lower price. These figures apply only to where the lands are purchased by private negotiation and in the case of a sale by court decree or auction for non-payment of revenue the lands would fetch a much lower price.

II.—Indigenous banking.

The only kind of indigenous banking carried on in this district is that of the Marwari and Multani money-lenders who do not receive deposits but only transact money-lending business. In the case of the Marwari, his advances are chiefly made in the form of demand promissory notes whereas the Multani practically deals only in hundis. The former finances to a small extent both agriculture and trade while the latter almost entirely confines his advances to the trader and merchant. The rates at which they advance money varies from 9 to 15 per cent.

**Written evidence of the Agent, The Imperial Bank of India,
Tellierry.**

1.—Agricultural credit and credit facilities for small industries.

2. The chief crops which are dealt with in this district are: tea, coffee, pepper, coconuts and a certain amount of rubber. Of these, tea, coffee and rubber are almost entirely in the hands of the European firms who have their own arrangements for finance.

Pepper.—The grower may either pluck and sell the crop himself or he may accept a lump sum for the anticipated yield early in the season from the "Pattakaran" (who acts as a middleman between the grower and the pepper dealer) receiving an advance in cash at the time of the transaction and the balance after the crop has been plucked. Owing however, to the very high prices to which pepper has risen in the last few years, the growers are in many cases in a very strong position and can afford to hold the major portion of their stocks until prices offered are to their liking, only selling sufficient to meet their immediate requirements and, as pepper keeps in good condition for a considerable time, and as supplies are limited, prices tend to keep up.

Coconuts.—As in pepper the "Pattakaran" purchases the crop in advance from the landlord, but in this case, a fixed amount is paid annually (called pattom) which does not usually vary unless fresh trees begin to yield or large fluctuations in price occur.

In the case of both pepper and coconuts, the grower deals almost entirely on a cash basis. The question of credit accommodation first arises with the "Pattakaran" who contracts with the local dealers to supply a certain amount of produce within a stated period and obtains an advance, balance being paid when the remainder of the goods are delivered. The security given for such advance is either a demand promissory note or a hundi of from 45 to 90 days and the usance bill appears to be gaining in popularity, as larger dealers are able to rediscount with banks or sowcars. The dealer obtains the accommodation he requires over and above his capital invested in business, chiefly by means of usance bills and disposes of his produce either to the European firms for foreign export from whom he obtains payment on completion of his contract or by despatch on his own account to other parts of the country, in which case a short dated bill or demand draft on the consignee supported by railway receipt and insurance policy is usually readily purchased by banks or sowcars. Dealers also obtain loan accommodation for short periods by pledge of their produce obtaining part releases on payment as orders are received.

With regard to imported produce, by far the largest is the import of rice and paddy. The local crop is negligible and about 90 per cent of the rice and paddy consumed in the district is received from Burma and to a smaller extent from the Northern Circars. A large percentage of this import trade is in the hands of several firms of Cutch Menons who give credit facilities to their constituents. Other larger dealers who import on their own account obtain their requirements chiefly from sowcars against usance bills or from banks on the security of demand promissory notes and actual pledge of the produce or undertaking to pledge on arrival.

The rates of interest ruling in the district on the several kinds of borrowing referred to above vary from 7 to 15 per cent according to the time of year and the source from which the accommodation is obtained.

Written evidence of the Agent, The Imperial Bank of India, Tinnevely.

I.—Agricultural credit and credit facilities for small industries.

1. *Finance*.—The agriculturists in the district usually obtains finance for cultivation, capital and permanent improvements, land revenue, etc., from the rich landowner or from the indigenous banker.

Rate of interest.—The rate of interest varies from 9 to 24 per cent according to the worth and standing of the borrower.

Nature of security taken.—Personal pro-note, joint pro-note, mortgage on property, and pledge of jewels.

Period of loans.—Loans for cultivation of land and for payment of revenue are generally taken for short periods, i.e., four to five months and repaid by sale of produce after harvest. Loans for capital and permanent improvements are generally granted for periods of one year and upwards, interest being paid yearly. Repayment is made by part payments from sale proceeds of produce and in some cases by chit amounts.

2. *Crops*.—The two principal crops in this locality are paddy and chillies.

Paddy.—Ordinarily the production is barely sufficient for local consumption and there is no regular market for paddy. The rich landlords stock their produce, which includes the paddy they obtain from the ryots in return for advances made for cultivation and other expenses. This stock they sell when high prices rule in the market. The average ryot sells his paddy locally whenever he feels the need for money, but the cultivating tenant who leases lands from the wealthy landlord generally sells his produce almost immediately after the harvest. As the ryot and cultivating tenant sell a part of their produce soon after harvest in order to pay off their loans, the grain dealers obtain the produce at cheap prices, and also, as the demand for paddy at harvest time is dull, the market rate is generally low to start with. As the supply to grain dealers becomes exhausted in course of time and the little produce held by the smaller class of cultivators is gradually consumed demand gets keener in the market and the price rises. It is at this time the rich landlords begin to sell their stock gradually.

Chillies.—The cultivator of chillies has to part with a fair portion of his produce for loans obtained from village traders and leading traders at Tinnevely. To the village trader he gives at the village itself and to the Tinnevely trader at the market here at prices agreed to at the time the advance was taken. The village trader also sells his produce to the Tinnevely traders for cash or in satisfaction of advances he has already received, and any surplus crop he may have on hand is given to one of the leading traders who forwards the goods to various places for sale on a commission basis.

Chillies are not stocked locally and are exported almost immediately they are received from the outlying parts.

3. *Price of lands*.—Dry lands on which crops, such as cumbu, gingelly, chillies, etc., are grown vary in value from Rs. 20 to Rs. 200 per acre.

Wet lands on which paddy is grown vary in value from Rs. 1,000 to Rs. 7,000 per acre. Position, accessibility, fertility of the soil and the source of irrigation are the chief factors affecting the value of lands.

The value of land purchased by private negotiation will fetch the highest price. In the case of sales by court, the price will fall far short of the recognized value.

Lands sold for non-payment of revenue will fetch only a very low value.

II.—Indigenous banking.

Locally nearly every merchant of means acts as a money-lender and banker and accepts deposits from others which he invests in his business.

The indigenous banks do the following business:—

Receive deposits, grant loans, discount bills, accept articles for safe custody and do banking business in general.

The indigenous banker negotiates bills, grants advances and receives deposits.

He has direct dealings with traders and merchants and in some cases he advances up to the extent of a merchant's worth. Such advances are given against personal pro-notes, joint pro-notes and sometimes against the security of produce or gold jewels.

The following methods are in force when advances are granted by indigenous bankers:—

(a) He grants loans on pro-notes (mostly joint pro-notes) payable within a certain period in instalments, interest for the entire period being collected at the time of granting the loan; the interest in such cases ranges from 12 to 18 per cent according to seasonal trade conditions.

(b) He grants loans on pro-notes (which are *prima facie* payable on demand) with a yadast attached whereby the debt is made repayable after periods ranging from 6 to 12 months with interest ranging from 12 to 18 per cent. In addition to the pro-note and yadast, he very often takes a letter of guarantee from a second party.

(c) With regard to current and overdraft accounts the trader and indigenous banker keep daily transactions with each other. A special book called a bazaar chitta book is maintained by each dealer wherein entries are made by the parties concerned. Interest on overdrafts is payable yearly at rates ruling locally, varying from 4 to 12 per cent.

(d) He grants loans on mortgage of lands (chiefly wet) with interest varying from 9 to 15 per cent payable yearly and the capital repayable on a stipulated date. In case of default of payment of either interest or principal, compound interest or excessive penal interest is made payable.

They provide themselves with funds obtained as deposits from others with rates of interest as follows:—

Fixed deposits 6 to 7½ per cent.

Current deposits 3 to 4½ per cent.

**Written evidence of the Agent, The Imperial Bank of India,
Visagapatam.**

1.—Agricultural credit and credit facilities for small industries.

1. Agricultural credit and finance.—The agriculturist of standing has at his disposal all the usual facilities, afforded by banks, money-lenders and merchants for expenses during cultivation. The smaller agriculturist resorts mainly to the village merchant who grants him advances against gold and for this purpose the agriculturist is in the habit of holding gold as a means to finance himself when necessary. He is now resorting more and more to the banks for advances against gold as he appreciates the low fixed rate of interest.

The smaller agriculturist is also financed indirectly by the banks as the merchants are in a position to obtain all the usual facilities afforded by banks and are thus enabled to extend their transactions with the bank's assistance. The better class tenant can obtain clean advances from the merchant by undertaking to send all his produce to the merchant for sale on commission.

The usual rate of interest charged by the merchants and the period for which loans are granted are:—

On produce 12 per cent per annum 6 to 8 months,

„ gold 9 to 12 per cent per annum no period is fixed,

„ clean advances 16 per cent for temporary loans,

12 per cent per annum for loans outstanding for one year or more, and

On loans against mortgage of lands 9 to 12 per cent.

There are only two or three Marwaris in this part of the district. They also grant gold loans but these are usually to small men and, I understand, contain a penal clause which greatly enhances the rate of interest immediately the period fixed for the loans expires.

The co-operative banks also operate in the usual way and they are now introducing produce and gold loan business.

Finance for capital expenditure is met by the landlord.

Finance for special needs such as failure of monsoon is obtained mainly through the merchant against security of gold or mortgage of land.

2. The principal crops of the district are marketed and financed as follows:—

Paddy and cereals.—The agriculturist sells his produce through the merchant and the price is fixed in the opening market. Prior to sale he is financed by the village merchant who has the bank's assistance when required. Substantial agriculturists have direct assistance from the banks at their disposal. The produce is all consumed locally.

Jaggery, oil seeds, etc.—These are all exported and are financed as stated above and in addition purchasers send actual cash through their agents for advances to merchants about the time the produce is harvested.

The price is determined by the offers received from the buyers in Madras, Bombay, etc.

The banks finance jaggery to a large extent both on clean advances to the merchants before harvesting and on loans against the produce when it is harvested.

Jute.—The price is governed mainly by the foreign and Calcutta markets and the crop is financed through the large jute firms.

Groundnuts.—The price is dependent upon the foreign demand and the crop is financed by the large European firms whose representatives come here for the season.

Negotiable instruments are freely used in trade and consist largely of demand bills which are mainly negotiated through banks.

3. *Value of lands.*—Wet lands growing sugarcane and paddy, favourably situated for marketing and irrigation, are changing hands ordinarily at about Rs. 1,500 to Rs. 1,800 per acre but the value of land generally varies a good deal according to the irrigation facilities.

Land is usually valued here at 20 times the annual net yield. Good land when sold by private negotiation is valued at 30 years' produce.

Prices for land sold in Government auction or by court decree are much below the true value.

II.—Indigenous banking.

There are no indigenous banks in the district and indigenous bankers are few in number. They are in a position to avail themselves of all the facilities offered by banks. Their special knowledge enables them to transact business beyond the scope of the banks but their activities are greatly extended through the assistance afforded them by banks.

III.—Investment habit and attraction of capital.

Investment habit.—The agriculturist on the whole prefers to invest his savings in gold as he knows he can readily obtain advances against it when required. It would appear to be, therefore, a difficult problem to attract him towards postal cash certificates or other forms of investment as these are not only liable to destruction but as it is less easy to obtain an advance against them in his village.

Written evidence of M.R.By. P. PERIYASWAMI MUDALIYAR
Avargal, Registrar, Chittoor.

I.—Agricultural credit and credit facilities for small industries.

1. (a) & (c).—The ryots generally borrow from rich landlords and money-lenders and urban co-operative societies wherever such societies exist, and

(b) the amount required for these purposes is borrowed from Government under the Agriculturists and the Land Improvement Loans Acts, from the co-operative credit societies and also from persons stated against (1), (a) and (c).

The rates of interest charged are 9 to 18 per cent per annum and the period for which loans are taken is not definite. It depends upon the success of the crops. In rare cases and that too in respect of small amounts, sugarcane and groundnut crops are taken as security and in a few cases personal security is taken. When large amounts are required immovable properties are taken as security.

The Government are granting loans to the agriculturists under the Agriculturists and the Land Improvement Loans Acts at a favourable rate of interest, ordinarily at $6\frac{1}{2}$ per cent, repayable in easy annual instalments.

2. The principal food-crops are stocked at the beginning (at the time of harvest) by some of the landowners and taken to the principal trading centres when the prices are somewhat higher.

The forming of pools and co-operative efforts will help the poor ryots to a certain extent in sharing the profits derived by these methods. In the majority of cases the ryots are so poor that they have either taken advances for the crops that are under harvest or that they have to sell away immediately out of sheer necessity to meet urgent demands such as land revenue or other urgent domestic expenses. It is only a few rich men that keep stock of their grains waiting for a higher rate of price. As such the possibilities referred to seem distant.

3. For sugarcane for a crop of eight annas outturn, the value per acre is Rs. 250 excluding expenses of cultivation.

For paddy, the value is Rs. 100 excluding expenses of cultivation.

For ragi, the value is Rs. 70 excluding expenses of cultivation.

For groundnut, the value is Rs. 50 excluding expenses of cultivation.

For soja, the value is Rs. 40 excluding expenses of cultivation.

For jonna, the value is Rs. 75 excluding expenses of cultivation.

For horsegram, the value is Rs. 25 excluding expenses of cultivation.

The value will be lower still if the outturn is less than eight annas.

The factors affecting the value of land.—(1) The quality of the land, (2) the situation of the land, (3) irrigation facilities, (4) urgency for the sale, (5) facilities for cultivation, (6) combination or otherwise for the purchase of the land and (7) the indebtedness of the seller.

It generally makes no difference in the value of the land whether sold for non-payment of revenue or court decree, etc. If at all the value goes down, it should be only the result of inadequate publication of the sale or combination or both.

4. There is no legal impediment. No such banks exist in the district. They may be established for each district. The loans may be freely distributed to the really needy ryots and not given to a few influential men in the village.

(a) The new system of the register of holdings now being maintained in the several districts will, I believe, obviate the possibilities of disputes and counter-claims.

The scale of fees for searching the registration records may be reduced. The capital of the proposed mortgage bank will have to be derived partly from deposits and partly from funds from central institutions and debenture bonds.

In case of debenture bonds there should be guarantee by the Government for payment of interest.

The members of the bank should be held responsible through its directors for any loss to Government.

5. An estimate of the indebtedness in a particular village of the Chittoor taluk as obtained from the perusal of the registration records is given below:—

(a) The total indebtedness is Rs. 5,500 with land as security in the form of registered mortgages,

(b) no such case, and

(c) Rs. 25 on houses and Rs. 660 on lands and house combined. There are cases of raising of loans on the pledge of ploughs, etc., but there may be cases of pledging of ornaments. In the case of the above debt it was incurred as follows:—

(a) Rs. 200 for household expenses and purchase of cattle,

(b) Rs. 25 for building a hut,

(c) Rs. 1,000 for purchasing land, and

(d) Rs. 4,275 for discharging earlier debts, the interest not being paid, of which transactions to the extent of Rs. 2,200 are in favour of the same creditors.

The creditors are chiefly one or two well-to-do ryots of the same village or adjacent villages. The rates of interest range from 9 to 15 per cent. There is no case of grain interest. The enforcing of payment is by suit in civil court. Efficient farmers are not turning into tenants. But cases of ordinary farmers turning into tenants having had to part with their land in the discharge of their debts are common. There is only one case of a farmer selling his land in favour of the creditor. Surely a farmer heavily in debts will lose interest in his lands, i.e., to improve them, etc.

6. Rice-milling and groundnut-milling here and there in the district; sandalwood oil extraction in Kangundi; garden produce on a large scale; mangoes in Chittoor, oranges in Puttur, limes in Ramapuram sub-district; and handspinning in Chittoor, Puttur and Kangundi.

6-A. Metal industry exists in Kalahasti and Tirupati.

7. Co-operative banks are popular compared with others. They deposit in current accounts in the Imperial Banks.

Co-operative societies—Long-term capital.

Doubt as to the stability of the banks is the difficulty in the way of long term deposits.

No competition between the co-operative banks and joint stock banks, for the latter are very few.

Deposits in co-operative banks may be exempted from income-tax.

II.—Indigenous banking.

1. On the pledge of jewels loans are advanced. This is carried only on a small scale.

3. (a) Only a small capital is invested,

(b) business is limited,

(c) expenses are limited, and

(d) there is no competition between the several banks in offering loans or receiving deposits.

5. Indigenous bankers—Marwaris—do not grant loans easily even on the pledge of movables. Only half of the value of the jewel will be advanced to be repaid fully at one time and not by instalments.

6. The interest is high ranging from 15 per cent to 30 per cent per annum.

7. Prejudice? Yes.

10. No.

III.—Investment habit and attraction of capital.

1. For encouraging small savings the post office savings bank is the only resource.

2. Postal cash certificates are not popular. Savings banks afford facilities to the public but much advantage is not taken by people other than officials.

3. Investment is made in immovable property. Farmers lend to fellow agriculturists.

5. I support the view that the banking and investment habit in India is of very slow growth. Except the well-to-do and middle class people the others have nothing to deposit or invest. General poverty is the cause. There should be established post office savings banks in important villages or groups of villages.

**Written evidence of P. R. deREBELLO, Esq., B.A.
District Registrar, Coimbatore.**

In submitting herewith the answers to some of the points raised in the questionnaire issued by the above Committee, I have to state that it is not possible to answer all the questions referred to therein as the same requires elaborate enquiry and long experience of the district coupled with a detailed knowledge of agriculture and trade, the working of the modern banking system and the present economic condition of the ryots, particularly of rural tracts. I have therefore attempted only such of them as can be answered within the limited time allowed and with my short experience in this district.

I.—Agricultural credit and credit facilities for small industries.

1 (a), (b) & (c).—The agriculturist generally obtains finance by mortgaging his immovable properties to private persons giving credit to them, professional money-lenders, indigenous bankers, joint-stock banks, co-operative banks and Government. Sometimes, he gets money on executing promissory notes or security bonds or on the hypothecation of grains, jewels or other movable properties. Raising loans on the security of standing crops is rare in this district. In the case of hypothecation of properties, the amount of loan granted is about half and in the case of mortgage with possession, about three-fourths of the value of property offered as security. The rate of interest charged in respect of such loans varies from 7½ per cent to 18 per cent per annum on immovable properties and about 8 per cent per annum on valuable movables. The Nattukottai Chettis (a class of indigenous bankers), I understand, charge an exorbitant rate of interest of about 36 per cent per annum in their documents but actually take less, i.e., between 18 and 24 per cent per annum if the loan is repaid within the stipulated period. In respect of sums advanced by Government under the Land Improvement Loans Act and the Agriculturists Loans Act, a comparatively low rate of interest is charged, viz., about 6½ per cent per annum. The period for which loans are taken depends upon the solvency of the agriculturist and the necessity or demand for money. It may therefore vary from 1 to 5 years and rarely above that period.

The part played by bankers of all classes in agricultural finance is briefly described hereunder:—

The professional money-lenders and indigenous bankers advance money to poor ryots on terms generally moderate. The Nattukottai Chettiyars do the same to some extent though the terms exacted by them are harder than those exacted by other classes of money-lenders. They do a large business in the way of lending large sums to big landholders probably for capital and permanent agricultural improvements. In the case of the poorer ryots, the money-lenders are almost a necessity due to fluctuating monsoons. Means of irrigation in a major part of the district are not so very extensive as to ensure constant cultivation. The land tax is generally fixed and absorbs a great portion of the produce; the prices of produce fluctuate, though not very appreciably, thus changing the incidence of tax from year to year. This means that, while the produce from the land is varying, the ryots have to pay a fixed tax which must come from the land. The money-lenders by their interposition meet the necessity of the ryots and enable them to pay the Government demand in time. Other classes of organizations giving credit including the Government render similar financial assistance to the ryots in need. But the ryots do not seem to avail themselves of the Government agency to their fullest advantage as they do in the case of private organizations. The very few loan orders and security bonds received in a year in the several registration offices in this district confirm my view. This may either be due to the ignorance of the ryot of the existence of Loans Acts, or the stringency of the rules made and the dilatory nature of the preliminary enquiry with a view to ensure that loans are granted on adequate security and that instalments are punctually collected as they fall due.

An estimate of the total amount of capital required for the various purposes noted against question 1 (a), (b) & (c) cannot be given without sufficient statistics inasmuch as such expenses, especially cultivation, differ from soil to soil, crop to crop and from year to year. Generally, the best lands receive the greatest attention. The ryot prefers to spend less upon the less productive lands.

2. The present method of marketing principal crop in this district is that new harvests are either purchased by local dealers in the market or bought up by indigenous bankers who carry on trade along with banking. Some of the trading firms purchase the harvests direct from the producers also through their mercantile agents and sell them in the market on commission. A portion of the finance required during marketing is provided by joint stock banks, professional money-lenders and indigenous bankers. The last class, if they fall short of money in times of demand, get advances from joint stock banks or from their head offices, if any, and help the dealers in purchasing. The speculators in commercial produce perform a similar useful function. By watching the state of the market for different kinds of produce in different producing centres in the district and entering into contracts for purchasing the produce which is likely to be in demand elsewhere, they enable the ryots to realize a large value for their produce. Some of them combine money-lending with trade when they have surplus money in their hands and help the ryots but in such cases, the terms allowed are short and repayment is punctually enforced.

The existing facilities available for internal remittances are remittance transfer receipts, postal money orders, postal insurance of currency notes, demand drafts, cheques, hundis and bills of exchange. The negotiable instruments facilitate the settlement of accounts and transfer of debts. They afford a cheap and convenient way of transmitting money from one place to another with comparatively greater safety and less risk of loss. They are extensively used by tradesmen, manufacturers and businessmen in general in carrying on their business.

Specimen forms of different classes of hundis which I have come across in this district are given below:—

(a) No.	Rs.	station	date	due on
At days	(or months)	after date, pay to		or order, the sum of Rs.
With all bank charges and overdue interest for value received in goods as per Invoice				
No.	of			

Signature.

(b) Rs.	station	date	due on
At days	(or months)	after date, I promise to pay	
Rs.		for value received against goods purchased.	

or order the sum of

Signature.

To

3. In this district, the value of an acre of wet land is about Rs. 1,500, of garden land Rs. 1,000 and of dry land Rs. 200. In parts of Dharapuram, Udumalpet and Pollachi taluks where the soil is fertile and irrigation by channels fairly satisfactory, the value of an acre of the best wet land rises up to Rs. 2,500. The value of dry lands is below Rs. 200 in places where the rainfall is scanty and the soil unproductive. Generally, the value of lands is on the increase. This appears to be due to—

- (i) increase in the number of wells,
- (ii) rise in the value of all kinds of produce,
- (iii) increase in productivity of soil in some places by application of artificial manures,
- (iv) easy means of communication resulting in the export of produce outside the district where there is demand for the same and the consequent realization of greater profits for the produce,
- (v) plantation of commercial crops, such as cotton, tobacco, tea etc., which fetch high values in the market in place of ordinary fodder crops in the majority of lands, and

(vi) increases or rather a competition for purchasing lands by richer classes of people and traders who have surplus capital as this is regarded as a safe investment.

The value of land purchased by private negotiation will generally be at the prevailing market rate or sometimes a little higher than that which depends upon the demand; but in the case of lands purchased in Government auction or court sale, the value may not come up to that level because of the limited publicity, collusive understandings and the tendency of the highest bidder to bid as low a sum as possible.

4. I am not aware of any legal impediment to mortgage of lands and agricultural holdings in this district.

There is only one land mortgage bank in this district established about three or four years ago at Peelamedu, a village near this town, but I have no knowledge of the inner working of that bank. There is no Government institution of the kind in this district. But in view of the fact that a large number of agriculturists resorting to several classes of money-lenders for loans, the establishment of a few Government agricultural banks in important taluk centres on the lines suggested in paragraphs 96 to 98 of the "Memorandum on the progress of the Madras Presidency" by Mr. Srinivasaraghava Ayyangar, late Inspector-General of Registration, would be a blessing to them and is likely to become successful.

5. An estimate as to the extent of indebtedness of the agricultural classes in a village may be arrived at roughly on the proportion of their total indebtedness to the total value of the landed property possessed by them. Paragraph 90 of the above Memorandum furnishes the data required and the detailed method of calculation. The rate of interest charged has been mentioned against paragraph 1 *supra*.

II.—Indigenous banking.

The functions of the indigenous banker are practically the same as those of joint-stock banks with the exception that the indigenous banker does not use cheques. When he has demand for money, he takes deposits both on current account and for fixed periods, gives loans for short as well as for long terms and gives hundis or drafts for purposes of private and trade remittances.

This has been dealt with in item I-(i) *supra*.

6. I am not able to mention the exact rate or rates of interest charged by the indigenous bankers or other money-lenders in this district as they vary with different places and different borrowers. The usual average rate is between 12 and 18 per cent per annum so far as I know. A reduction in the rate of interest is desirable and will certainly confer great benefit on the agricultural community as this will create an incentive to borrow additional sums which can be profitably utilised in the development of agricultural resources in general.

7. The indigenous bankers readily advance loans to poor agriculturists when they suffer for want of finances and their services are therefore indispensable to them. When they are traders also, they enable them to sell their produce with some profit charging them a small commission. There appears to be no prejudice against them as they are accepted as a necessary evil.

**Written evidence of M.R. Ry. M. C. KESAVAN Avargal, B.A.,
Registrar of Tellicherry (on leave).**

I.—Agricultural credit and credit facilities for small industries.

1. (a) In this district the landowners very seldom cultivate their lands but lease them out to tenants, and the tenants or sub-tenants who actually cultivate lands are very poor and have invariably to borrow for expenses of cultivation at exorbitant interests. The loan raised and the interest paid are generally in kind, viz., paddy. Twenty per cent is the ordinary interest which a cultivator has to pay for the loan raised. The loan is advanced at times on mortgage of crops and often on a mere bond.

Neither the Government nor the Imperial Bank of India, etc., play any part in agricultural finance for the benefit of the actual ryot. Of course, owners of lands who happen to be poor, receive on occasions loans from Government under the Land Improvement or the Agriculturists Loans Act.

(b) In this district, almost the entire area of cultivable lands belongs to landlords who are rich enough to invest capital for improving their own lands.

(c) In Malabar, failure of crops on account of the vicissitudes of the monsoon tells on the actual cultivator and not on the landowner, for the reason, that arrears of rent due to a bad season are realized with interest at the time of the next or subsequent harvest when there is a bumper crop.

2. Conversion of arable lands into coconut gardens has been going on for ever so many years past that the area available for paddy cultivation has been enormously reduced with the result that the indigenous output of paddy is far below the requirements of the district. The yield of coconut and pepper has, on the other hand, proportionately increased and these are exported to foreign countries by merchants who corner them.

In Malabar formation of pools and co-operative activities are not calculated to produce any beneficial result to the agricultural population.

In order to pay advances to the producer, the merchants and traders who buy these staple produce for export, raise money from the Imperial Bank or other recognized banks or money-lenders on hundis or on pledge of such produce at a discount, in addition to an interest at a minimum rate of 1½ per cent.

Internal remittance is effected by means of cheques drawn on banks.

Hundis and cheques are the recognized instruments which play an important part in the internal trade of this district.

Having regard to the facilities attendant on the use of bills, no reduction of duty on them seems necessary.

Hundis at sight and hundis at three months' notice appear to be the ordinary instruments resorted to by merchants and traders in Malabar.

Hundis emanating from one locality are generally discounted in that local centre.

3. In this district, paddy lands will fetch a price ranging from Rs. 5 to Rs. 10 for a plot yielding one measure of paddy in the shape of rent, and the fluctuation in value depends on the quality of the lands, the maximum value being realized on those which easily yield a double crop. A fat year also forms a factor in raising the value of lands.

(a) Non-payment of Government revenue is very rare, and on exceptional occasions when land is sold for arrears of revenue, its value depends on competition, but it never rises over the maximum above referred to.

(b) The value of land on sale in pursuance of a decree of court is ordinarily far below its market value.

(c) The rate given at the commencement of this paragraph is the one relating to sale by private negotiation.

The value of garden lands and topes of pepper vines vary in different localities and also fluctuate according to the prevailing seasonal prosperity or adversity.

4. There is no legal impediment to mortgages of lands or agricultural holdings in this district. But there are no land mortgage or agricultural banks in these parts.

5. The tenure of land holding and the position of the tenant in Malabar are so peculiar that it will be extremely difficult to form an estimate of the amount of debt of the cultivators as a whole or to formulate a scheme for the amelioration of their condition and for raising them to a state of solvency. Their debt is largely due to private men of means in the locality and in rare cases to professional money-lenders. The interest charged ranges from 1 to 3 per cent. The debt is realized, in case of default, by sale of crops and improvements in garden lands under decrees of courts in civil suits.

As lands do not belong to tenants, they do not pass into the hands of creditors. It is only their lease interest and the improvements belonging to them that form the subject of court sales and pass on to the creditors.

6. The manufacture of coconut and gingelly oils is the only industry which may be described as supplemental to agriculture in this district. The mills employed in extracting these oils are rude in construction, made of hard grained timber, and cannot bear comparison, in the matter of the output, quality and quantity of the produce, with the imported machinery which is fast supplanting them.

6-A. Weaving industry with hand-looms is carried on in this district by a section of the people called Chaliyas, but it is now dying out as a result of the opening of factories working with imported power looms.

7. Co-operative movement in Malabar may be declared to be a failure, so far as the poor people are concerned. Mismanagement and self-interest on the part of presidents of societies in many instances have prejudiced public opinion; and as a matter of fact it is the managing body and their kith and kin that are more benefited than the poor labourers. So the rumour runs.

II.—Indigenous banking.

1 to 6. In this district the agricultural population never or very seldom resort to an indigenous bank for a loan to meet agricultural expenses.

7. There is no prejudice in these parts against indigenous banks.

The indigenous bankers are sufficiently protected in law and they conduct their dealings with their clientele on sound lines.

9. Without expressing an idea of their net return, it may be stated that the indigenous bankers are able to declare on the average a dividend of 10 per cent to the shareholders.

10. Indigenous banks refuse to comply with demands when the security offered is insufficient, but it is very seldom that they decline to meet a demand owing to shortage of working capital for the simple reason that they are generally accommodated by a neighbouring bank.

11. The opening of a central reserve bank or a joint-stock bank, etc., in this district is not desirable, as in that case, indigenous banks, drawing money from such banks on interest would have to raise their own interest on loans advanced by them to the prejudice of the private borrower.

III.—Investment habit and attraction of capital.

1. In this district indigenous banks start business on partly paid-up shares on allotment and later on, when business increases, they realize the unpaid portion of the share capital as necessity for the same arises. Deposits from private individuals also form one of the resources in helping banks to transact business on a larger scale.

The existing facilities are adequate for investment and savings, yet it is only the rich and the educated portion of the public (chiefly Government servants) that care to open savings bank accounts.

2. Postal cash certificates are not very popular in this district, the reason being that private investment fetches a higher rate of interest.

4. The cheque habit is not a prominent feature of this district and even the abolition of stamp duty on these instruments have not given an impetus to the adoption of cheques in substitution of money payments. It is only the mercantile population and a few of the Government servants that use cheques.

5. Banking and investment habit in India is indeed of very slow growth and naturally so, as the individuals who have to deal in exchanges and monetary transactions form only a microscopic minority of the population.

Written evidence of M.R.Ry. A. R. MUNISWAMI REDDIYAR,
President, Co-operative Union, Arkonam, North Arcot district.

I.—விவசாய சம்பந்தமாய் கடன் கிடைப்பதும் சிறிய கைத்தொழில் களுக்குக் கடன் கிடைப்பதற்கான வசதிகளும்.

1. விவசாயிகளுக்கு சாதாரணமாக பயிர்தொழில் முதலிய காரியங்களுக்கு வேண்டிய கடன்கள் கிராமத்தில் பண்ணைவாதேவி செய்பவரிடமிருந்து அதிக வட்டிக்கு கிடைத்து வருகின்றன.

தவிர, கிராமங்களில் ஐக்கிய நாணய சங்கங்கள் ஏற்பட்டு இருந்தலால் அவைகளிலிருந்தும் கடன்கள் விவசாயிகளுக்கு கொடுக்கப்படுகின்றன.

வட்டி சாதாரணமாக ரூ. 0-12-0 விருந்து ரூ. 3 வரையில் 100-க்கு மாதம் 1-க்கு கொடுக்க நேரிடுகிறது. ஐக்கிய நாணய சங்கங்களிலிருந்து வாங்கும் குறுகிய காலக்கடன் ஒரு வருஷ தவணையிலும் நீண்டகாலக் கடன்கள் 2 முதல் 10 வருஷத் தவணையிலும் செலுத்தப்படவேண்டும். கிராம சாவுகாரிகளிடமிருந்து வாங்கும் கடன்களும் வெளி சாவுகாரிகளிடமிருந்து வாங்கும் கடன்களும் சாதாரணமாக 8 வருஷம் வரையில் திருப்பிச் செலுத்தப்படுகிறதில்லை. மூன்று வருஷத்திற்கு பிறகு வட்டியை செலுத்தியோ அல்லது வட்டியை சேர்த்தோ வேறு கடனாக எழுதி வாங்கப்படுகிறது. கடன் தொகை ரூ. 1,000-க்கு மேல்பட்டு அடமானக் கடன்களாக இருந்தால் உவைகளில் பிரதி வருஷம் வட்டியை செலுத்தவேண்டி வருகிறது. பெரிய கடன் பெற்ற விவசாயிகள் தங்கள் வரும்படியினின்று தாங்கள் வாங்கிய கடன்களுக்கு வட்டிகூட செலுத்த சாத்தியமில்லாமல் இருக்கிறது.

ஐக்கிய நாணய சங்கங்களில் கூடியவரை வட்டியும் அசலில் ஒரு பகுதியும் செலுத்தி 10 வருஷங்களில் பூர்த்தியாய் பைசல் ஆகிவருகின்றன. சாவுகாரிகளிடம் வாங்கும் கடன்களுக்கு தவணையும் தீர்ப்பந்தமும் இல்லாத நிலை. கடன்கள் பைசல் ஆகாமல் நாளடைவில் அதிகரித்து அடமானம் வைத்த சொத்தை கடன்கொடுத்த சாவுகாரிக்கோ அல்லது வேறொருவருக்கோ பரிமுதல் செய்து கடனைத் தீர்க்கவேண்டியிருக்கிறது. மாசூல் ஈட்டின்பேரில் குறுகிய காலக்கடன்கள் அதிக வட்டிக்கு சாவுகாரிகள் கொடுத்து அந்த மாசூலிலேயே கடனை வசூல்செய்வதுமுண்டு.

இது சாதாரணமாக திலக்கடலை மாசூல் எதிர்பார்த்து விவசாயிகளுக்கு கடன்கொடுத்து வருகிறார்கள். சில இடங்களில் கரும்பு மாசூல் எதிர்பார்த்தும் இம்மாதிரியான கடன்கள் கொடுக்கப்பட்டு வருகின்றன. சாதாரணமாக இந்த ஜில்லாவில் எல்லா கடன்களும் தில் அடமானத்தின்பேரிலேயே கொடுக்கப்பட்டு வருகின்றன. ஐக்கிய நாணய சங்கங்கள் அறுவடை ஆகாத மாசூல் ஈட்டின்பேரிலும் அறுவடையான மாசூல் ஈட்டின்பேரிலும் குறுகிய காலக்கடனை கொடுக்கும் வழக்கத்தை இரண்டொரு வருஷமாக கையாடி வருகின்றன.

ஐக்கிய நாணய சங்கங்கள் சம்பந்தப்பட்ட வரையில் விவசாயத்திற்காக இந்த ஜில்லாவில் சுமார் 50 லக்ஷம் ரூபாய் வரையில் 1,000 கிராமங்களில் உள்ள விவசாயிகளுக்கு கொடுக்கப்பட்டு வருகிறது. இந்த ஜில்லாவுக்கு சுமார் 7 கோடி ரூபாய் வரையில் விவசாயிகளுக்கு தேவையுள்ளவையென்று நினைக்கிறேன். இந்தத் தொகையில் 1 கோடி ரூபாய் குறுகியகாலக் கடனாகவும் 6 கோடி ரூபாய் நீண்டகாலக் கடனாகவும் உதவவேண்டும். பெரிய கடன்களுக்கு வட்டிரேட் அதிகமாக வாங்கப்படுவதால் விவசாயி கடனைப் பறிக்கமுடியவில்லை. தவணைகாலம் 20 வருஷம் வரையில் ஐக்கிய நாணய சங்கங்களில் கொடுத்தால் கடன்கள் சல்லிசில் அடைந்தவிடம். பெரிய கடன்களுக்கு 100-க்கு ரூ. 0-8-0 வுக்கு மேல் வட்டிகொடுக்க விவசாயிகளுக்கு சாத்தியமில்லை. ஆகவே, இப்போது லாண்டு இம்ப்ரூவ்மெண்டு போர்டன்ஸ் ஆக்ட் படிக்கும், அக்ரிகல்ச்சரிஸ்ட்ஸ் போர்டன்ஸ் ஆக்ட்படிக்கும் கொடுக்கப்படும் தகவலி போர்டன்ஸ் பூராவும் வேலூர் செனட்ரல் பாங்கி மூலமாக விவசாயிகளுக்கு நீண்ட காலத்திற்கு கொடுக்கப்படவேண்டும். தவிர, டிபென்சர் மூலமாக

கவர்ன்மெண்டு பொது ஜனங்களிடமிருந்து நீண்டகால டிபாலிட்டுகள் குறைந்த வட்டி 5 அல்லது 5½-க்கு பெற்று விவசாயிக்கு 7½ வட்டிக்கு அதிகப் படாமல் சென்ட்ரல் பாங்கி மூலமாக நில அடமானக் கடன்களாக கொடுக்க வேண்டும்.

2. இந்த ஜில்லாவில் நிலக்கடலை, வெல்லம், நவதான்யம் விசேஷமாக உற்பத்தி செய்யப்படுகின்றன. இவைகள் இப்போது மாசூல் அறுவடையிலேயே உள்ளூர் வியாபாரிகளால் குறைந்த விலைக்கு வாங்கப்பட்டது அவர்களால் அதிக லாபத்திற்கு விற்கப்பட்ட லாபத்தை வியாபாரிகள் அடைந்து வருகிறார்கள். மாசூலை கூட்டு ஏற்பாடு மூலமாக வாங்கி கூட்டுறவு மூலத்தில் விற்பனை செய்வதற்கு அனேக கஷ்டங்கள் இருக்கின்றன. பொதுவாக கிராமங்களில் மாசூலை பத்தோபஸ்து செய்வதற்கு ஒரு கட்டிடம் தேவை. அதை நடத்துவதற்கு பொறுப்பை ஏற்றுக்கொள்ளும் பரோபகார சிந்தை யுள்ள மனிதர்கள் தேவை. இவை யிரண்டும் ஏற்படும் பക്ഷத்தில் கூட்டு வியாபார சங்கங்கள் கிராமங்களில் ஏற்படுத்தி மெம்பர்களின் பொருள்களை கூட்டாய் விற்பனை செய்து லாபத்தை மெம்பர்களுக்கு பிரித்துக்கொடுக்கலாம்.

3. இந்த ஜில்லாவில் புஞ்சை நிலங்களுக்கு ஏக்கர் 1-க்கு ரூ. 50 முதல் ரூ. 300 வரையில் விலை ஏற்படுகின்றன. இவைகளில் நிலக்கடலை, கீழ்வரகு, துவரை, உளுந்து, புனையிலை முதலிய நவதான்யங்கள் பயிர்செய்யப்படுகின்றன. நெல், கரும்பு, வெற்றிலை முதலிய மாசூல்கள் பயிர்செய்யப்படுகிற நஞ்சை நிலங்களுக்கு ஏக்கர் ஒன்றிற்கு ரூ. 200 முதல் ரூ. 3,000 வரையில் விலை ஏற்பட்டிருக்கின்றன. ஓர் நிலத்தை ஓர் தனி நபர் வாங்கும் விலையில் 100-க்கு 50 முதல் 75 வரையில் கோர்த்து எலத்தில் விற்கப்படுகின்றது. சர்க்கார் நிலத்தீர்வைக்கு விற்கப்படும்போது இன்னும் குறைந்த மதிப்புக்கே விற்கப்படுகின்றது.

4. இந்த ஜில்லாவில் இதுவரையில் ஐக்கிய ஜில்லா பாங்கி கிராம ஐக்கிய சங்கங்களுக்கு 10 வருஷத் தவணையில் நீண்டகாலக் கடன்கள் கொடுத்து வந்தது. இப்போது டவுன்செண்டு கம்மிட்டி தீர்மானப்படிக்கு நீண்டகாலக் கடன்கள் கொடுப்பதை திறுத்திவிட்டது.

நில அடமான பாங்கிகள் இன்னும் இந்த ஜில்லாவில் அனேக இடங்களில் ஸ்தாபிக்கப்படவில்லை. இரண்டொரு இடங்களில் ஸ்தாபிக்கப்பட்ட அவைகள் நன்றாக வேலைசெய்யவில்லை. நீண்டகால டிபாலிட்டுகள் பெற்று பிரதி கோவாபரோடிஸ் யூனியன் விவகார எல்லைக்கு ஓர் நில அடமான பாங்கியை ஸ்தாபித்து ஏராளமாக நீண்டகாலக் கடன்கள் கொடுக்க ஏற்பாடு செய்யவேண்டும். நீண்டகாலக் கடன்கள் டிபாலிட்டுகள் டிபென்சா மூலமாக கவர்ன்மெண்டு வட்டி உத்தரவாதம் செய்து வாங்கி நில அடமான பாங்கிகளுக்கு கடன் கொடுக்கவேண்டும்.

(Translation.)

1.—Agricultural credit and credit facilities for small industries.

1. Agriculturists ordinarily obtain loans required for cultivation and other purposes from money-lenders in the village at a high rate of interest.

Moreover, as co-operative credit societies have been established in villages, agriculturists get loans from these societies as well.

One is obliged to pay interest at a rate which ordinarily ranges from 12 annas to Rs. 3 per hundred per mensem. The short term loans and the long term loans obtained from co-operative credit societies have to be repaid within one year and a period ranging from two to ten years respectively. The loans obtained from the sowcars in the village and elsewhere are not ordinarily repaid for a period of three years. After three years, the interest due is paid and a fresh bond is executed for the amount and, if the interest is not paid, it is added to the principal in the bond thus executed. If the amount of loan exceeds Rs. 1,000 and if it is given on mortgage, the interest has to be paid every year. It is not possible for the agriculturists, who have raised big loans, to pay from their income even the interest for the loans raised by them.

Those who obtain loans from co-operative credit societies pay, as far as possible, the interest as well as a portion of the principal and repay the loans fully within ten years. As there is neither time-limit nor restriction in respect of the loans obtained from sowcars, the loans remain uncleared and increase in amount in course of time with the result that they have to be cleared by forfeiting the property mortgaged either to the sowcar who had given such loans or to some one else. Sowcars also grant short term loans at a high rate of interest on the security of the produce and recover the same from that produce itself. They ordinarily grant these loans to agriculturists in expectation of the groundnut produce. In some places, such loans are being granted in expectation of the sugar-cane produce also. In this district all loans are generally granted only on the mortgage of lands. Co-operative credit societies have, for the last one or two years, been adopting the practice of granting short term loans on the security of standing crops as well as of harvested produce.

As far as co-operative credit societies are concerned, a sum of about 50 lakhs of rupees is being granted by them in this district for agricultural purposes to the agriculturists belonging to 1,000 villages. I think that a sum of about seven crores of rupees is required by agriculturists in this district. Of this sum, one crore of rupees should be advanced as short term loans and six crores of rupees as long term loans. As a high rate of interest is charged for big loans, the agriculturist is unable to bear the burden of these loans. If loans are granted by co-operative credit societies for a period of twenty years, they will be easily repaid. It is not possible for agriculturists to pay an interest of more than eight annas per hundred for big loans. Hence, all the takavi loans now granted under the Land Improvement Loans Act and the Agriculturists Loans Act should be granted to agriculturists for long terms through the Vellore Central Bank. Further, the Government should receive long term deposits from the public through debentures at a low rate of interest, viz., 5 or 5½ per cent per annum, and grant loans to agriculturists through the central bank on the mortgage of lands at a rate of interest not exceeding 7½ per cent per annum.

2. Groundnut, jaggery and the nine kinds of grain are largely produced in this district. These are now bought by the local merchants at a low price at the very time of harvest and then sold at a highly profitable price by them. These merchants thus enjoy the profit. There are many difficulties in the matter of the purchase and sale of produce on co-operative lines. A common building is required in villages for keeping the produce in safe custody. Philanthropists, who would accept the responsibility of running it, are also wanted. When these two factors are secured, co-operative trading societies can be established in villages, which can jointly sell the products belonging to their members and distribute the profits among them.

3. In this district, dry lands are selling at Rs. 50 to Rs. 300 per acre. Groundnut, ragi, redgram, blackgram, tobacco and other kinds of grains are grown in these lands. The wet lands in which paddy, sugarcane, betel-leaves and other crops are grown, are selling at Rs. 200 to Rs. 3,000 per acre. Lands are sold in the court auction at Rs. 50 to 75 per cent of the price for which a private individual would buy them. When they are sold for non-payment of the land revenue due to Government, they fetch a still lower price.

4. The District co-operative bank was till now granting long term loans extending over a period of ten years to rural co-operative societies in this district. It has now stopped granting long term loans in pursuance of the resolution of the Townsend Committee.

Land mortgage banks have not yet been established in several places in this district. They have been established in one or two places but they are not functioning properly. Arrangements should be made for receiving long term deposits, establishing a land mortgage bank within the jurisdiction of every co-operative union and granting long term loans to a large number of persons. The Government should receive deposits through debentures by guaranteeing the interest thereon and grant long term loans to land mortgage banks.

Written evidence of M.R.Ry. S. LAKSHMINARAYANA PILLAI
Avargal, Registrar of Ramnad.

I.—Agricultural credit and credit facilities for small industries.

1. (i) (a), (b) & (c).—By hypothecating or selling his property and rarely by approaching Government.

(ii) *Interest*.—Between 9 and 12 per cent.

Period.—One year.

Nature of security.—Lands.

Other conditions.—Penal interest or conditional sale.

(iii) Government grant loans under the Agriculturists and the Land Improvement Loans Act.

Imperial Banks and joint stock banks advance money to traders and moneyed class who borrow from these banks at moderate rate of interest for short periods and advance loans to ryots at a higher rate and make money.

Co-operative banks give real help to all classes especially the poor ryots but a number of such banks is very restricted. Steps should therefore be taken to start co-operative banks all over the Presidency so that each village may have one such bank. This will to a great extent solve the problem of the indebtedness of the agriculturists.

Others.—These issue loans making maxim profit out of the transaction.

(iv)

(v) Want of education of the masses to realize the effects of improved methods of cultivation.

Remedy.—The Agricultural Department should undertake the education of the masses and co-operative societies should also take the initiative in the matter.

(vi) Not much—there is scope for improvement.

2. (i) The small holder sells it to petty agents in villages who in turn sell them to bigger merchants and institutions.

(ii) Co-operative effort is needed in villages for such a purpose.

(iii) Facilities existing for the purpose are nil. Advance of a moiety of the estimated sale amount by the co-operative agencies on the security of the produce itself.

(iv)

(v)

(vi) Postal money order, cheques and hundis are drawn.

(vii) Hundis are not so numerous as they ought to be owing to dearth of banks.

(viii) Negotiable instruments are used only in big cities and actual cash payments in other places.

(ix) The duty on bills should be reduced.

(x) They are not in much use here except 'hundis payable at sight.'

(xi) The Act should be so amended that notice of non-payment of hundis should be made a primary charge on the properties.

(xii)

(xiii)

(xiv) None in these parts.

(xv)

(xvi) Yes.

3. (i) Dry.—From Rs. 50 to Rs. 300.

Wet.—From Rs. 500 to Rs. 1,500.

Garden.—From Rs. 500 to Rs. 1,500.

(ii) The value in respect of (a) & (b) will be less than that in respect of (c).

4. (i) No impediment. Being introduced.

(ii) By issue of debentures.

(iii) See (i) *supra*.

- (iv) (a) Insistence of encumbrance certificates in all cases.
- (b) Better facilities, e.g., foreclosure and sale without resorting to courts of law or arbitration.
- (c) The costs should be generally reduced.
- (v) From all.
- (vi) They must carry Government guarantee for both.
- (vii) There will be no loss in general if the Government has sufficient control over such banks.
- (viii) No interest higher than 6 per cent should be charged for amounts lent to such banks and no interest higher than $7\frac{1}{2}$ per cent should be charged to ryots to those banks.
- (ix) Nil.

- 5. (i)
- (ii)
- (iii) & (iv) Not possible except in respect of debts secured by registered documents.
- (v) (a), (b), (c), (d), and (e), the debts under almost all classes, (a) to (i), are very common in these parts.
- (vi) Professional money-lenders play a very prominent part.
- (vii) 12 per cent ordinary, compound interest. Half-yearly payment of debt is enforced through courts.
- (viii) Yes, in most cases.
- (ix) Yes, generally.
- 6. (i) Rice-milling, cotton ginneries in black-soil tracts, and garden produce in preference to others.
- (ii) Co-operative basis.
- (iii) Spinning and weaving.
- (iv) & (v) Vide (ii) supra under this head.

- 6-A. (i) These are undertaken by professional communities.
- (ii) No help is generally needed for the professionals.

- 7. (i) Co-operative banks have no dealings with indigenous banks.
- (ii)
- (iii)
- (iv) & (v) No.
- (vi) All facilities referred to should be given to genuine co-operative societies in order to stimulate the co-operative movement.

II.—Indigenous banking.

- 1. Purely money-lending business generally on security of lands.
- 2. They generally do not finance for agricultural purposes, though they at times speculate on trade purposes.
- 3. (a) & (b) They have unlimited resources.
- (c) They get not less than 12 per cent income and their expenditure is very low.
- (d) They draw on each other and get their bills discounted by the Imperial and joint stock banks.
- 4. Promissory notes, sight hundis, and three months' time hundis are in vogue.
- 5. (i) Marwari bankers issue loans on hundis to traders taking not less than 12 per cent for a period not exceeding three months, while the southern Chetti bankers lend on the mortgage of properties or other securities.
- (ii) Vide III (d) above under item 2.
- (iii) Nattukottai Chetti bankers alone receive deposits on an interest ranging from 6 to 9 per cent.
- 6. (i) Not less than 12 per cent if in money and a corresponding rate in kind.
- (ii) By encouragement of co-operative societies.
- (iii) Yes.
- 7. (i) Yes; because they are usurers.
- (ii) Yes.
- (iii) No need.
- (iv) Yes.
- (v) Does not arise.

8. (i) to (iii) No need.

(iv) They will not relish any such measures.

9. They would get a net income of 9 per cent in interest on the money lent after defraying these charges.

10. If securities are all right, they freely lend; the working capital is more than necessary.

11. (i) It is already linked with the Imperial Bank in the capitals by periodical deposits and drafts.

(ii) Yes.

(iii) By free flow of money from one to the other.

(iv) By making these indigenous banks as the feeders of the central banks.

12. (i) No.

(ii) & (iii) Do not arise.

III.—Investment habit and attraction of capital.

1. (i) Investments in banks and Nattukottai Chetti and Marwari firms.

(ii) No need.

(iii) Savings banks, nidhis and chit associations.

(iv) More of such institutions are necessary.

(v) Yes.

(vi) They are more prone to invest in silver and gold than to invest in public institutions.

2. (i) The existence of cash certificates is not known to many. It should be better advertised.

(ii) Yes, vide (i) supra.

(iii) The facilities should be improved by way of expedition in the matter of withdrawals, etc. The rate of interest should also be a little higher.

(iv) Educated middle classes with the monthly incomes.

(v) Vide (iii) supra.

(vi) There seems to be no such competition.

3. (i) The low rate of interest and the fluctuating price of such securities would not allow the small investors to have recourse to these securities. The Postal Cash Securities in an improved state will do the needful.

(ii) No such facilities are known.

(iii) Any savings are used in inter-lending.

(iv) Yes. By lending to co-agriculturists or by purchasing lands.

4. (i) It is still in the primitive stage.

(ii) It has facilitated the free use to some extent.

(iii) Educated middle class and merchants. If it is to reach the masses, the post office should be made as banks and no minimum balance of current accounts should be fixed.

(iv) It is not going to do much help.

5. (i) Yes.

(ii) The dearth of savings in the first instance and want of education.

(iii) The results will be disproportionate to the trouble and expenditure involved. Further the masses cannot be expected to make any investments in any industrial concerns unless Government guarantees their stability.

(iv) It has facilitated the free circulation of money.

**Written evidence of M.R. Ry. K. A. SANKARAYYA Avargal,
Pleader, Tiruvadanai, Devakottai.**

I.—Agricultural credit and credit facilities for small industries.

1. I confine myself to the condition of the agriculturists in this part of the district of Ramnad which consists of the big estates of Ramnad and Sivaganga and union estates of devasthanam chatram and dharmasannam or inam villages. The agriculture in this part of the district is not carried on in any regular or systematic manner. The south-west monsoon never reaches this part of the district. Hence the months from April to August are generally dry with no opportunity for the ryots to raise any profitable crop. The north-east monsoon also is not constant and the ryots cannot hope to raise any particular crop at its proper season. He has to drift and adjust his agricultural operations according to the freaks of the monsoon. All the villages in the part are provided with irrigation tanks which are the only source of supply to the wet ayacut of the village. There is no river to guarantee any assured supply of water at the required season. Local rains, if profuse, will bring water in the rivers and augment the irrigation tanks fed by such rivers. There are other parts of the district, where we have no such jungle rivers and the supply of water to these irrigation tanks depends on the surplus water of the tanks above. The irrigation tanks are so economically designed in ancient times, that the surplus water of the tanks above is the source of supply to the tanks below, without allowing the surplus get into waste or damage the lands through which it has to pass. This is the only irrigation system obtaining in this part of the district. Most of these irrigation tanks are in utter state of disrepair.

(a) *Finance*.—Ryots borrow at heavy rates of compound interest and also on condition agreeing to pay one-fourth more in kind at the harvest season than the quantity of grain borrowed at the cultivation season. Even this kind of loan is not freely available to the ryots at the time of cultivation season and the zamindars never help the ryots in this direction. Hence, in every village, about half of the wet lands are allowed to lie fallow.

(b) For capital expenditure there is no finance available to the ryots. There are no banks advancing loans to the ryots. The sinking of wells and installation of oil engines are the only profitable purposes for which ryots can go in. There is no sufficient supply of spring within a reasonable depth, so that the ryots may use the country piccottah. The outlay in this direction will materially help the ryots. The ryots can raised the required seedlings with the help of the well water during August-September and when the north-east monsoon sets in in October, the ryots can proceed with the transplantation of the seedlings already ripe. Now in the absence of such wells, the ryots have to raise the seedlings also only in October and consequently the transplantations have to be commenced only in November and the shortage of water is generally felt during December, January and February, if the monsoon is not favourable in those months. The Government is not granting any loan at all to the ryots or the small landholders to undertake any such enterprise. Agricultural banks, if established at each Government taluk, will materially help the ryots in this direction.

(c) If there is failure of monsoon most of the ryots find no employment here whatsoever and they emigrate to Ceylon, Burma and Straits Settlements, leaving only the aged people in the house and they return only after the season becomes favourable. The ryots in such famine years are not able to pay the rents due to their landholder and the lands are sold for a nominal price for arrears of rent and they are purchased generally by the landholders themselves, making the ryots responsible for the balance of rent. The labour in foreign countries is not profitable except the fact that the emigrants are able to keep their body and soul together, during the time they work there, and they do not return here with any sufficient savings to meet at least the demands already incurred here.

There are no money-lenders here from whom the ryots can have loans easily. The Nattukottai Chettiyars do banking business only outside the district. Some ryots borrow from individual Udayars (an agricultural class) comparatively in a better position than other ryots, at rates, varying from 12 to 18 per cent on the security of their lands and some raise money by the sale of their lands.

There are no banks of any kind here, lending money to ryots. The co-operative banks at Devakotta, Tiruppattur and Sivaganga do not lend anything to the ryots nor does the Government advance any loan to the ryots in these zamindari areas.

The Government with the advice of the Industries Department can help the ryots by advancing loans for boring wells and the supply of pumping engines. Six lakhs of rupees for the three taluks may be sufficient to begin with.

2. Regarding the marketing of crops, rice is not exported to neighbouring districts as the supply is not even sufficient for the demand here, on the other hand, rice from Madura, Tanjore and Trichinopoly are imported here in large quantities. Only in Coastal villages some rice is exported to Ceylon. The other crop that requires marketing is the country cotton grown in large quantities here. Some middlemen go into the interior of villages, purchase the cotton very cheap from the growers in retail and send them in bales in country carts to Madura, Aruppukottai and Sattur. If the Government can advance a loan to any individual for the establishment of a mill in Tiruvadanai taluk for ginning and spinning the cotton grown in the neighbourhood, this will considerably advance the position of the cotton growers and also provide employment to ryots during the summer months when the ryots have no work.

3. (a) This part being zamindari tract, no land is sold by Government for its revenue.

(b) Lands are generally sold for a less value in court-auction.

(c) The price of wet and dry lands varies very considerably in private negotiations according to the nature of the demand. The value of lands near Chettinad and sea coast are comparatively higher than in other parts.

4. Land mortgage banks advancing loans to the ryots with provisions for long term credit, say ten years, are absolutely necessary, at least one such bank for each Government taluk. Landholders' rent being the first charge on the ryot's holding, the loan by agricultural banks may be made the second charge on the holding, giving preference over other private loans advanced subsequent to the establishment of such banks.

5. An estimate in this respect is impossible. Now for the present, loans may be advanced to such ryots who have not encumbered their lands previously, on the security of their lands.

Debts are contracted by ryots for all purposes except (h) and (i) such debts are due only to private money-lenders. The ryots in this part have yet sufficient lands left with them, and if only the Government helps them by advancing loans for the purchase of plough cattle, seeds, manure and improved ploughs, every incentive will be created for better farming and more production.

6. There are no subsidiary industries of any kind. Cotton ginneries and hand-spinning may be profitably introduced here.

II.—Indigenous banking.

There is no such banking here. On account of the constant unfavourable season, no private individual ventures to do any banking business with the poor ryots as he cannot expect a quick return.

III.—Investment habits.

1. The ryots are very poor and they do not invest appreciably in gold or silver jewels.

The other questions need no answer as the ryots are exceedingly poor.

**Written evidence of M.R.Ey. M. GOVINDAN NAYAR Avargal,
Revenue Divisional Officer, Cochin.**

I.—Agricultural credit and credit facilities for small industries.

1. (a), (b) & (c).—The chief crop cultivated is paddy. Ordinarily the actual cultivator stores the seed necessary for sowing on his lands and is able to meet the other incidental cultivation charges. He has his own ploughing cattle and labourers. Generally field labourers are permanently attached to the farms and they do other work for their masters when not engaged in agricultural work. In practice, the actual cultivator pays land revenue only very rarely. The special circumstances prevailing in this district leave neither any incentive nor any scope for effecting improvements on any large scale. All irrigation projects investigated in the past had finally to be abandoned on account of poor return from such projects.

It will be thus seen that it is only during the time of loss of crops, owing to failure of monsoon or other causes, that the cultivator really feels any difficulty. It is then that he is forced to borrow. The rate of interest ordinarily ranges from 12 to 35 per cent and in many cases it reaches the huge figure of cent per cent. The cultivator generally borrows in kind (as all wages for cultivation are paid in kind) with the stipulation to repay it next harvest season. He is obliged to borrow at this high rate of interest chiefly to meet his expenses during the off season to pay off the rent on land and to meet other unforeseen charges. If he gets a good harvest, he has not much need to borrow. But bumper crops are few and far between. Standing crops are tendered as security. The period of repayment is in most cases only two or three months of the date of loan and the money-lender advances the amount on the understanding that the cultivator will pay him grain at a rate fixed or a certain number of measures according to the whims or the former arbitrarily, often much more than the then actual current market price. In places where the chief crops are coconut, arecanut, pepper, etc., the same procedure is followed. The owner (*Kuzhikanandur*) who is in urgent need of money goes to the money-lender and borrows on the security of the garden undertaking to repay the borrower produce often at very low commutation rates. In many cases, the creditor himself gathers the produce sufficient to pay off the loan with interest. In many cases loans are taken and repaid on trust without reducing the transaction to writing. Ordinarily the cultivator is averse to going for money to Government, Imperial Bank, joint stock bank, co-operative bank or even indigenous bank. He is quite familiar with the local money-lender who in turn knows his client well. He does not insist on any formalities; such as security, etc. Nor is payment delayed for purposes of enquiry. He asks for money and money is advanced. He is fleeced of his earnings and things go on from year to year so much so that after a few years he is unable to shake off the shackles of the money-lender.

Rupees 10,000 for each taluk will be only the minimum amount to be set apart for advances to agriculturists. It is very important that the rules regarding the grant of loans (under the Loans Acts) should be relaxed with a view to enlarge the scope of the set and to see that applicants get money as early as possible with no delay. It should be possible for the Revenue Inspector to complete enquiries into loan applications and pay the amount in his presence if the power to sanction up to certain amount for specified purposes is delegated to him. Again the loan rules are now published in the District Gazette in vernacular. But this is clearly insufficient to attain the object of publication. Very few only subscribe for the Gazette and such publication do not reach the villagers. The provision of the Loans Acts should be issued in the form of booklets and thus brought within easy reach of villagers. Cautions and liberal distribution and prompt recovery of agricultural loans are the only remedy by which the poor agriculturists can be saved from the clutches of the greedy money-lender.

2. Paddy, coconut, arecanut and pepper are the principal crops of Malabar. They are generally sold at the nearest market either by the cultivators themselves or entrusted to the brokers or traders who advance money on the crops.

Licensed warehouses under Government agency and supervision will be beneficial both to the produce owners and brokers advancing money.

3. Value of arable land generally depend on its situation and fertility. Generally single crop wet lands are valued at Rs. 1,000 to Rs. 1,500 per acre according to the yield and double crop wet lands at Rs. 1,500 to Rs. 3,000. Dry lands which are fit only for raising dry crops and seedlings are valued at Rs. 300 to Rs. 500. The value of garden lands depend on the nature and quality of the fruit-bearing trees in them. Their value also ranges from Rs. 2,000 to Rs. 3,000 per acre in the case of superior garden lands.

Wet lands.—Basis for valuation.

Yield per acre converted into money value at the rate published under the M.T.I. Act minus the cost of seeds and expenses for cultivation and land revenue. This when capitalized at 20 years purchase gives the value of the land per acre. As for garden lands also, the same procedure is applied when the real owner himself is the cultivator. Otherwise the fruit-bearing trees have to be valued under the M.T.I. Act and bare land as ordinary dry land.

(a) In the plain taluks of Malabar, there are very few cases of land sales for non-payment of land revenue.

(b) During court sales, lands sometimes fetch fancy prices. The value realized by court-auction cannot be taken as the prevailing market rate of the lands. The influence of the purchaser in the locality and the location of the lands counts much in arriving at a value. Suppose in a court-auction the influential janmi of the village who owns extensive lands on the locality—Poovilly Mana—offers Rs. 2,000 per acre for first-class D.C. lands (while the market rate is Rs. 4,000) there will be no others from that amsam or adjacent amsam to compete with the mana. The result is the already wealthy man gets additional lands for less than the market rate. This is why the amount realized from court sale cannot be taken as the basis for a general valuation.

(c) Private negotiation. The situation of the lands and the exigencies of the seller and buyer count very much in arriving at a valuation.

4. Bankers do not advance money on mortgage of property, as it is always very difficult to realize the money advanced in case of default without a tedious and protracted litigation.

There are no land mortgage banks or agricultural banks or any bank for the provision of long term credit in South Malabar.

5. (1) No.

(2) An actual survey of a typical village should be taken.

(a to i) Among the actual cultivators debt is incurred generally in respect of items (a), (b), (e), (f) and (g). The debt is largely due to professional money-lenders and to a small extent to indigenous bank and co-operative societies.

Ordinary money-lenders charge 12 to 36 per cent.

6. (1) In Malabar, the only small industry allied or supplemental to agriculture is coir-making.

(2) Coir-making is generally in the hands of monied men who realize good income and hence this industry does not require any support from the State at present.

(3) Hand-spinning in places where coir-making is not done; but this industry is not generally prevalent. It is restricted to one particular class whose hereditary occupation is weaving. Cotton should be made available for distribution in each village at a central depot and the farmers should be given cotton during the off season. The yarn should be purchased by the central depot of the village and the price paid on the spot and cotton re-issued for the next day's use. If this is done

every poor family of able bodied persons will earn at least four annas per diem during the off season and they will be well off. Even during the agricultural season, this procedure can be followed. For it is only during the harvest period that the cultivator gets paddy. The period from sowing to harvest is also a hard time. If he is quite sure that the yarn he produces will be purchased in the village depot on payment of ready cash whenever he tenders it, he will gladly spin even during the night time and earn a living wage.

7. There is neither relation nor competition between the co-operative banks and other banks. The interest charged by the Imperial Bank is comparatively low. Consequently efficient clients are resorting to the Imperial Bank for advance.

II.—Indigenous banking.

1 and 2. Indigenous banks transact the following business:—

Receive deposits, current and fixed for three months, six months, one year and two years, lend money on gold ornaments, mortgage, on hundies and pro-notes on 90 days' time for return. Lend money to petty traders for industries, for milk and dairy farming on pro-notes on personal security returnable in 100 days by daily, bi-weekly, weekly, fortnightly and monthly instalments. Advance money on deposit of goods or produce or on bills of lading or railway receipts for a maximum period of 90 days.

3. (a) Few well-to-do people join together and register a banking concern. They subscribe either in lump or in instalments few thousands of rupees and start business. In course of time they accept deposits offering a better interest than the Imperial or other joint stock banks. They resort to overdrafts from other indigenous or joint-stock banks and conduct kuris or chittis.

(b) The volume of business transacted by such bankers is great, since they lend money to a good number of people, the amounts involved in each case being rather small.

(c) They have to incur a comparatively higher expense by engaging a number of clerks, by resorting to legal proceedings, by accumulation of bad debts and by gradual outstanding amounts.

(d) The relationship among the indigenous banks is on the whole cordial, they helping each other by overdrafts. Generally there is no relation between indigenous banks and the Imperial Bank and other big joint stock banks and co-operative banks, since these latter allow only low interest on deposits and do not allow overdrafts in time of need even to well-managed and very stable indigenous banks.

4. The forms of credit instrument generally used are—

(1) Hundis in stamp paper of one and a half annas for every hundred rupees for fixed periods the maximum being 90 days; and

(2) pro-notes on plain paper without stipulating the period on the understanding for 90 days or hundred days, if by instalment.

4. The forms of credit instrument generally used are—

scribed form available in the banks mentioning one or more sureties and the terms of repayment. The application form is circulated among the directors who note down their remarks after enquiry, the managing director finally passing it for payment on the merits of the remarks. If sanctioned for payment, the amount will be given either on hundi in stamp paper or on pro-notes deducting interest when payment is made.

Funds are raised by the indigenous bankers to meet their demands by (1) further calls on the subscribed capital from the share-holders, (2) by deposit and (3) by raising loans, by overdrafts from other banks.

Interest on deposits—

Current—4 to 6 per cent,

Fixed—six months 5 to 7½ per cent,

Fixed—one year 8 to 9 per cent.

6 to 8. Interest to be paid to the indigenous banks is from 10 to 15 per cent.

The Government-aided banks should allow reasonable overdrafts to indigenous banks on the recommendation of an officer deputed for the purpose with facilities to inspect periodically and ascertain the condition of such banks. Stable and well-managed indigenous banks will then have money at cheaper interest than is at present the case, thus avoiding higher interest on deposits and loans from other banks and enabling them to lend money to the public at lower rates. At present the State-aided banks, such as the Imperial Bank of India, do not generally advance loans to indigenous bankers. They allow only very little for even deposits of indigenous banks if such deposits are made with a view to open transactions on the security of such deposits. This system of granting loans by the Government-aided banks will not only reduce general interest in the money market, but will also encourage and induce indigenous banks to manage their concerns more efficiently. Indigenous banks should have the privilege of discounting their instruments of credit in Government-aided banks, the latter undertaking the collection on a small percentage of commission. This would avoid all existing disabilities confronting the indigenous banks.

9. The net profit will be about 12 per cent to 18 per cent.

10. Indigenous banks cannot meet all demands either through insufficiently of security or through want of sufficient funds.

III.—Investment habit and attraction of capital.

1. The chief and common means of savings instrument in these parts are by subscribing to kuris or chittis conducted by the indigenous banks and church associations.

2. Only petty clerks resort to post office savings banks. Those who are in better position and are not sufficiently English educated do not relish this sort of investment, chiefly due to the present system of "waiting at windows" in the post office without any waiting room accommodation especially in mufassal offices.

If proper arrangements are made and the "waiting" time is minimised as in various banks, the public may resort more to post office savings bank system of investment.

**Written evidence of D. W. DODWELL, Esq., I.C.S., Sub-Collector,
Tiruppattur, North Arcot.**

1.—Agricultural credit and credit facilities for small industries.

1. For (a) and (c) the agriculturist generally takes small loans from a money-lender in his own or an adjoining village, on the understanding that they will be repaid in kind at the time of harvest. The money-lender may be an agriculturist who has some surplus funds at his disposal, but more commonly he is a professional money-lender, that is a man who makes money-lending his main business. In this district it is generally members of certain communities such as the Komati Chetti and Vaniya Chetti (oil-monger) castes who make a business of lending small loans in villages. The rate of interest for these loans is generally 15 to 18 per cent, but may go as high as 36 per cent when the money-lender is unduly grasping or the borrower's credit is not considered to be good. It is well understood that the standing crops are the security for these loans and, provided the crops are sufficiently successful, the lender has no difficulty in recovering what is due in the shape of produce at the time of harvest. Generally there is not any written mortgage of the standing crops, but a bond or promissory note may be written, with an oral agreement that the debt is repayable at the next harvest, or at any rate within two or three years. If the borrower gets a good crop, he is not likely to obstruct the collection of the debt by the money-lender, upon whom he will be dependent for further accommodation when required. Crops, however, have not been good in the north of North Arcot district owing to the scarcity of rain and failure of supply in the Palar river for a number of years. Consequently it is difficult to pay off debts when they have once been incurred. The peasant too often regards a loan from any source only as a God-send that relieves his immediate difficulties, and does not try hard enough to pay it off. The money-lender is quite willing to let the loan accumulate, so long as the borrower has sufficient landed property. Small loans for cultivation expenses, etc., therefore frequently accumulate until they reach a considerable sum, and the borrower has to execute a mortgage of his lands to cover it.

For (b), permanent improvements such as digging wells, the agriculturist can only raise the money by mortgaging his land. The Government give takavi loans at about 7 per cent, repayable over a long period for these purposes, and also for purchasing plough bulls. Such loans are only given after a searching enquiry as to the soundness of the security offered. The village co-operative societies also give loans on the security of land for these purposes; they charge about 9 per cent interest and fix the instalments for repayment over a period of at the most a few years. Agriculturists who cannot offer landed security that will be accepted by Government or a co-operative society, have recourse to professional money-lenders and pay much higher rates of interest.

It is only the Government, the co-operative societies and the professional village money-lenders who play any appreciable part in financing agriculture. The villagers have no access to the other agencies mentioned, nor would those institutions as a rule be prepared to advance money for agricultural purposes. There is no co-ordination between the credit agencies that now exist for financing agriculture, and it is difficult to suggest any way of securing co-ordination between these independent agencies.

The chief possibility of improvement seems to lie in the extension of the operations of the village co-operative societies together with a much stricter system of supervision. At present too many of the societies are mismanaged, and cases of embezzlement of a society's funds by its officers are not uncommon. Repayment of instalments of loans, as they fall due is not enforced with sufficient strictness, and unless this is done, anything that makes it easier for the agriculturist to get credit, simply facilitates the accumulation of debt and ultimate loss of his holding. In spite of these difficulties the co-operative movement has certainly had very beneficial effects

for the ryots, and the societies have already taken over a good deal of the business that would otherwise have been left to the village money-lenders. At present the societies generally only give fairly substantial, short term loans of Rs. 100 or more on the security of land and houses. If supervision could be tightened up so as to prevent abuses, I think that such of them as were specially empowered might also be allowed to undertake the business of giving small loans for cultivation expenses, etc., on the security of standing crops. Reliable presidents of well-established societies might perhaps be given power to pass decrees and attach and sell properties for the realization of small loans up to Rs. 50.

2. The ryots, as a rule, sell their commercial crops or surplus food crops immediately after harvest in order to pay off debt or meet other urgent needs. As they sell when supplies are plentiful they naturally have to sell at a low price. A ryot who has a sufficient amount of produce to sell to make up at least one cartload may send it himself to the nearest considerable town and sell it to a merchant there. Otherwise it is sold to merchants or their agents who visit the villages, buy up the produce for cash, and arrange to cart it to the towns. The big merchants in the large towns can get credit up to about 75 per cent of the market value of their stocks from the Imperial Bank of India and thus carry them until the prices have gone up: the stocks are kept under the bank's seal and issued only as they are sold and payment is made. A system of co-operative marketing by which the ryots themselves could get credit on whatever produce they have for sale, and wait for a better price, would be a great boon. It is doubtful, however, whether any such system would work properly until education and the spirit of co-operation have become more widely diffused. The experiment might be tried of encouraging some of the more successful village co-operative societies to take up this work. The ryots would not be willing to participate unless they received a substantial part of the market value of their produce at once; but this would be possible if the co-operative society could get credit on the pooled produce from the district co-operative bank or the Imperial Bank of India on the same general lines as those on which the Imperial Bank supplies credit for big merchants.

3. Wet land producing paddy, sugarcane, etc., is worth from Rs. 300 to Rs. 1,000 per acre according to the nature of the irrigation source and the nearness to markets. Dry land with well irrigation sufficient for paddy or garden crops is worth Rs. 200 to Rs. 500 per acre. Dry land fit only for dry crops such as groundnut, dhal, samai, vaungu and horsegram fetches from Rs. 20 to Rs. 200 according to the fertility of the soil and nearness to markets. These are the prices when the purchase is by private negotiation. In forced sales by court decree or for non-payment of land revenue the prices fetched would be roughly from 25 to 50 per cent of those given above.

4. There is no legal impediment to the mortgaging of land in this province. Probably about 75 per cent of the land is subject to some form of mortgage. There are no land mortgage banks at present. I doubt whether it is desirable to start separate institutions with Government aid for the purpose. I think that the more efficient of the existing co-operative credit societies and banks might be given power to take up this business under close supervision. The working capital of institutions doing this work should be derived from (a) deposits, (b) funds from central institutions and (c) debenture bonds if these would be subscribed for without a Government guarantee. It would hardly be advisable for the Government to undertake heavy liability on this account. All land transactions would be greatly simplified if the revenue registry of land could be modified and made into a complete and conclusive record of rights in land; this seems to me to be feasible, though it would involve so much trouble and expense that Government would no doubt hesitate to undertake it.

5. I am not aware of any reliable statistics as to the total indebtedness of the agricultural classes in the province. Figures as to the registered mortgages of land could be obtained from the Registration Department. I think that a fairly reliable rough figure for the total indebtedness could be obtained by getting a special report from all village officers, to be checked by the officers of the Revenue Department, much in the

same way as cattle census is taken. I think that in this district a considerable number of efficient farmers are being turned into tenants-at-will through the enforcement of debts. They become waram tenants and divide the produce with the landlord, so that their incentive to increase production is weakened.

7. I am in favour of giving all possible reasonable concessions in order to stimulate the growth of the co-operative movement. Genuine co-operative societies might well be exempted from income-tax. Debentures issued by provincial co-operative banks could safely be included in the list of trustee securities.

III.—Investment habit and attraction of capital.

1. There are sufficient facilities for the safe investment of small savings in the post office savings bank and postal cash certificates, but only educated people use them. The interest allowed in the post office savings bank might well be raised, and the restrictions as to deposits and withdrawals removed.

I think there is still a considerable amount of investment in jewels when times are good, as the illiterate Indian agriculturist likes to have his savings in a tangible form, and jewels can always be pledged as security for small loans when occasion arises.

2. Postal cash certificates are not very popular in this district. I cannot suggest any way of popularising them except propaganda and raising the rate of interest. I do not think they have any appreciable adverse influence on bank deposits.

4. The cheque habit is extremely limited in this district, and removal of the stamp duty on cheques has not had much effect yet, so far as I know, I am in favour of paying Government servants drawing at least Rs. 100 per month compulsorily by cheque in stations where there is a branch of the Imperial Bank, and giving them an option of receiving the whole or part of their salary by cheque in other stations. All bank employees drawing Rs. 100 per month might well be paid by cheque.

5. Banking and the investment habit have certainly grown very slowly in India up to the present. The chief causes seems to be (a) the conservatism and illiteracy of the mass of the population and the general lack of a will to save and improve the standard of living, (b) the feeling that all Indian banks and joint stock enterprises are unsafe as so many have failed in the past, and (c) the popularity of the chit fund, a most unsatisfactory form of saving or investment.

Propaganda by Government to induce educated persons to invest in Government loans for capital expenditure would be worth trying.

The new branches of the Imperial Bank have done something to attract deposits and increase the use of cheques; they provide very useful credit facilities for merchants. They would be more popular if they were empowered to lend to some extent on approved securities and landed property, instead of only on commercial goods and Government securities transferable by endorsement.

**Written evidence of M.R Ry. V. M. SIVARAJA MUDALIYAR
Avargal, B.A., Deputy Tahsildar, Vaniyambadi.**

I.—Agricultural credit and credit facilities for small industries.

1. In a very few cases the agriculturists obtain loans from Government under the Agriculturists and the Land Improvement Loans Acts. But in many cases the ryots borrow money from private individuals in the vicinity at alarming rates of interest. Of course, men who have large extent of lands get loans on easier terms by hypothecating portions of their land; but the poorer classes, who form the bulk obtain loans at rates which range from 16 to 37½ per cent. Moreover, the money thus borrowed together with the interest is usually repayable at the harvest season in kind. When the harvest season comes off, the money-lender is present at the threshing floor to collect the dues. Sometimes the whole harvest may not be sufficient to pay him. The payment of the loan in kind at the harvest season is itself a great loss to the ryot. For at the harvest season, the supply of grains being larger and demand therefore being lesser, the price is bound to be exceedingly low.

2. The principal crops are now generally being marketed in the shandis, or mandis in some of the important towns in the neighbourhood. It is possible to market all the necessary commodities by co-operative efforts. This system will eliminate the middleman, and, consequently, the articles may be made much cheaper.

3. Owing to persistent failure of monsoon in recent years there is, of late, a tendency on the part of the landowners to sell away their lands. The value of lands has therefore gone down. The value of land generally depends on the fertility of the soil, the irrigation facilities that exist, the location of the plot (its nearness to road or railway line), and the existence of a demand for lands. The value per acre of wet land purchasable by private negotiation may be approximately put at Rs. 500 to Rs. 2,000; while that of dry fields varies from Rs. 25 to Rs. 500. The value of land at Government auction for non-payment of revenue and in the event of sale by court decree is very much lower than this.

4. The agriculturist class never turns to industry. In fact there is no industry allied to agriculture worth mentioning. Alongside the Palar river, however, mats are made out of weeds that grow in the river margin; here and there sheep are being reared, and from their wool, blankets are made. There is also hand-spinning in some villages, but it is done on a very small scale; and, generally speaking, the agricultural class as such rarely resorts to such industries, as supplemental to agriculture. These industries can be made more useful to the class dealing in it, if they are given financial aid.

II.—Indigenous banking.

1. There are Marwaris, pawn-brokers, money-lenders, nidhis and mutual benefit associations in big towns. But none of these classes has anything to do with the agriculturist in the village. The village money-lender is there. He is the person referred to in the beginning of the answer. He is himself a ryot of the village a relation to the other ryots but yet he is looting. This kind of banker is not provided in law. The borrowers are naturally disgusted with the conduct and inhuman avarice of these bankers. But as the poor agriculturists are put to ever so many items of expenditure that are necessitated by the Indian social customs and religious mandates, they are forced to find a lender near at hand. No wonder they find in the village Shylock an easy protector of their immediate want. And when they once fall into the clutches of the unscrupulous money-lender they never can get out of his rigid sway.

2. To remedy these, the money-lenders or indigenous bankers of this type should be eliminated as early as possible and the organization of co-operative societies will surely do it. In fact, the villagers where the co-operative societies now exist, the money-lenders have practically disappeared.

III.—Investment habit and attraction of capital.

1. There are several *nidhis* and *chit funds* in towns and they attract some investment. Generally speaking, people in these parts are unable to make any savings after what is spent in religious ceremonies and other social evils. And what remains is locked up in the shape of ornaments, and jewellery and vessels of silver and gold. Moreover the stability of banks is a thing that is looked upon with suspicion. And again the people are proverbially unenterprising. All these contribute to the lack of investing habit on the part of the people. The interest of the individual investor is safeguarded only in co-operative banks; and of late, these banks are growing more popular on that account, than other joint stock banks.

2. The post office savings bank is of course convenient and popular among the middle classes; but the rate of interest allowed is proverbially low. It will probably be better to improve the rate of interest, so as to attract investors.

Written evidence of M.R. N. SUBRAHMANYA AYYAR
Avargal, B.A., Tahsildar, Gudiyattam.

1.—Agricultural credit and credit facilities for small industries.

1. The agriculturist (a) for expenses during cultivation, (b) for other special needs, e.g., failure of monsoon, for land revenue, etc., shows the crop on his land to his usual money-lender, generally a "Komati" or an "Oil-monger" or other money-lender in his village or in the adjoining village and takes piecemeal small loans from Rs. 5 to Rs. 20. The money-lender is ready on the spot at the harvest time of the crop, and takes away the produce in payment of the loans. Should there be small sums of undischarged loans and these develop to a round sum of Rs. 50 or Rs. 100 a mortgage deed is drawn and executed charging interest mortgaging the agriculturist's lands. In the case of (b) for capital and permanent improvements the agriculturist straight off goes to a village money-lender, mortgages his lands and takes a loan. The rate of interest charged for these small loans is 15 to 18 per cent. These small loans are expected to be repaid once a year at the time of harvest. The Imperial Bank and joint stock banks or other banks do not finance agriculturists.

It is only the professional money-lender and merchants that give credit. The co-operative banks help in a way. They do not give small loans of Rs. 10, 15, 20 as the agriculturists occasionally require for expenses during cultivation and for land revenue for which small sums are required then and there. But they give bigger sums of Rs. 100 and above which the agriculturists may require for permanent improvements of their lands such as sinking of wells. In this connexion, it is submitted, the co-operative village bank may be so organized and improved that the presidents of the village banks may advance small loans as are needed by the agriculturists on the security of the standing crop or other credit which an agriculturist commands in a village and also on pro-notes, if necessary. The president must be so sympathetic as to consider the needs of the small agriculturist and he should be given powers to pass a decree with powers to attach and sell properties for realization of small loans up to Rs. 50. This system of village co-operative banking is the only method by which the ordinary village agriculturist will be benefited by a local co-operative bank. On an average the total credit facilities which a village would require for their agricultural purposes would be from Rs. 500 to Rs. 1,000 annually. Government help agriculturists by granting State loans for purchase of plough bulls and for sinking and repair of wells.

2. An agriculturist if he has got lands and gets crops sufficient to save which could make up one cartload, i.e., about 10 kalamis, he takes it to the nearest town where there is a merchant within a distance of about 20 to 25 miles and there sells his produce. In the case of small agriculturists who could not spare so much, petty merchants periodically go to the villages, purchase the small savings of the poor agriculturists for cash who in their turn take it to the nearest town where there is a market. The agriculturist always sells their produce to a merchant who offers the highest price and he also sells his produce whenever there is the necessity for him for cash for his expenses.

In this district there are only petty agriculturists. They could not first hand over their produce to co-operative bank and wait to take money until such a time when the co-operative bank could sell the produce to a profit at a time watching the fluctuations of the market. There may be loss at times which the poor agriculturists would not and could not bear. Hence the possibilities of forming pools are rather distant.

In these parts merchants of long-standing credits trade with their own capital. Merchants who trade with borrowed capital always fail as a rule. Nattukottai Chettis who are now going down in numbers and Marwari merchants who have come down from Bombay and establishing lending shops in increased numbers, advance money. Nattukottai merchants advance money with longer periods of repayments up to three years. But the interest is high, about 15 per cent. But the Marwari merchants lend at

a cheaper interest of 9 to 12 per cent, but such amounts are repayable within three months to six months. If it is not repaid within the short period the loan is stopped and the money lent is collected with a great pressure as to break down a merchant altogether. Merchants who take loans either from Nattukottai Chettis or Marwaris do not generally thrive. The Imperial Bank of India, Madras, now at Vellore, gives a great relief to merchants. The bank makes confidential enquiries as to the extent of solvency of the merchants and advance money up to 75 per cent of the value of stock of goods which a merchant gets from outside. The stock is kept under lock and key under the custody of the bank and as each consignment is sold and money paid into the bank, the bank clerk comes and issues goods proportionately.

Similarly co-operative banks may be established in two or three important places in a district to work in the same way as the Imperial Bank works. The agent of such a co-operative bank should be a responsible paid agent. The question will be to find out a suitable agent as he has got a heavy responsibility to bear and as the money involved will be very high. There is no question of foreign trade at all in these parts as there is not sufficient stock of produce to engage in a foreign trade. The value of the produce is remitted by postal money order or by insured post. There are no such local private banks here to facilitate internal remittances by means of bills or hundis. There are no big branches or associations of money-lenders here who are able to establish a local bank capable to hold transaction with banks in other parts of the Presidency or province. Two such banks established at Vellore, viz., the Mercantile Bank and the Commercial Bank, failed.

3. The value of land per acre, if it is a wet land producing paddy or sugarcane, is Rs. 400 to Rs. 1,000. If it is a dry land with well facilities to raise paddy and sugarcane, it sells from Rs. 200 to Rs. 500. If a dry land is fit for only a dry crop such as groundnut, samai, varagu, red and black grams, it sells from Rs. 50 to Rs. 150. These are the prices got in purchase by private negotiations. In the event of sale by court decree the value will be half of the above price. In sales in Government auction for non-payment of land revenue the land will be sold only for the amount of assessment as such lands will be generally valueless.

4. There is no legal impediment to mortgage of lands and agricultural holdings. There are no land mortgage banks. There is no possibility of establishing such a bank as there are no suitable capitalists or men capable to manage such banks. The records of rights and titles of ownership of lands are attended to by the Revenue Department by transfer of pattas as the lands go from the possession of one person to another.

5. The existing indebtedness of an average village here with land as security in the form of a registered mortgage is Rs. 10,000 on an average. The amount of such indebtedness in a village on the mortgage of a house is Rs. 1,000. The amount of indebtedness on mortgage of jewels in a village is Rs. 500. No debt is given on the mortgage of ploughs, agricultural implements, etc. In villages debts are incurred chiefly for (a) marriage ceremonies and other social occasions, (b) sinking of well for agricultural purposes, (c) for famine and other kinds of distress, (d) for payment of land revenue, (e) improved agricultural implements, (f) for purchase of seeds and manure, and (g) for education of children. No fresh debts are incurred for the payment of earlier debts or growth of debt by compound interest. When once an agriculturist takes a loan from a money-lender ordinarily the creditor waits for three years and then at the end of the period a fresh mortgage deed mortgaging lands as security is got executed for a fresh sum including the principal and the interest accrued during the period. The debt is largely due to the local professional money-lenders. Interest is charged at 12 to 15 per cent up to Rs. 500 and then at 5 per cent for sums over Rs. 500 up to Rs. 1,000. Only simple interest is charged. If a debtor does not pay the amount as the creditor wants, the creditor files a suit in the munsif's court and recovers it. An efficient farmer with a large family is generally unable to pay his whole debts, the produce which he gets being just sufficient to maintain his family. Periodically the principal sum and the interest accrued are summed up and converted into a fresh debt with the very same creditor. This new principal, if continued unredeemed, turns in course of time to a bigger amount. When this goes

on and thus accumulates to a sum which is equal to the value of the farmer's holding, the creditor is necessitated to purchase the farmer's holding. Generally these professional money-lenders are not able to cultivate such purchased lands as such holdings accrued in the manner stated above lie scattered in different parts and in different villages. The creditor leaves these holdings for cultivation under varam tenure to the original owner who by force of events is thus turned into a tenant. Naturally disgusted with his lot and adverse circumstances he has no incentive to produce more and in an efficient and better manner. Owing to the present economic stress due to failure of monsoon a farmer unknowingly and involuntarily gets into a debt. But he finds himself later on unable to pay the debt and finds himself deprived of his holding. The chief reason is due to the heavy rate of interest which is increasing every year and the rapidity at which the creditors want to recover the debt. As often a creditor wants to recover debts with interest at his will and pleasure and owing to the pressure put by the creditor the interest charged on the principal is very often converted into a principal and the heaviness of debts increases. This gradual conversion of a simple into a compound interest is unknown to a village debtor. A village debtor can best be saved by a declaration that only 6 per cent interest alone can be charged on all debts and no interest should be joined with a principal and a new document should be drawn converting the principal and the interest into a new debt.

6. An ordinary agriculturist has no time to attend to small subsidiary industries. Dairy-farming is out of question as there are no grazing grounds for cattle to graze. Garden produce is attended to on a small scale by the agriculturist for his domestic requirements. The agriculturists in this district always spend their time either in cultivation or in improving lands. An agriculturist sinks a well and cultivates his lands by rotation at all seasons in a year. Farmers who have no means or facilities to sink a well go for coolie work in railways or in road-making. Hand-spinning may be introduced in villages by means of propaganda showing them the advantages and advising them to train themselves to hand-spinning in their leisure hours. No enterprise is possible in villages as to give the producer a better outturn for his produce.

6-A. Weaving with handloom can with advantage be introduced in all the villages.

7. The existing co-operative bank can continue to work on its present basis. They are to learn the systematic ways of repaying and recovering moneys advanced to the constituents of a co-operative village bank.

II.—Indigenous banking.

There is no indigenous banking in these parts.

III.—Investment habit and attraction of capital.

The investment habit is still in an initial stage in these parts. The only system that works well in these parts is the postal savings bank. Only the literate public resort to it. The other classes of people have little to save for investment. People do not go in for postal cash certificate at all. People do not also go in for investments in silver and gold as their savings are small. Farmers do not lend to their fellow agriculturists, if they have savings they purchase some more lands or invest money in building a commodious house for their occupation and a fold for their cattle. Cheque habit is unknown in these parts. Banking and investment habit in India is very slow in growth. This habit can only be developed by propaganda by Government in villages by explaining the advantages of postal savings banks and advising people to invest their savings in the post office. Restrictions regarding the amount of deposit and withdrawal as once in a week should be removed. Depositors should be allowed to make deposits any day they please and withdrawals also should be permitted as often as a depositor is in need of money. Postal savings bank is working very well in these parts and a propaganda by Government to popularise it in a larger scale will be a good beginning to develop the banking habits. The new local branches of the Imperial Bank of India only helps the merchants. It may be developed so as to help the agriculturists also taking sufficient security.

**Written evidence of M.R.Ry. V. SANKARAN NAYAR Avargal,
B.A., Tahsildar, Tiruppattur.**

I.—Agricultural credit and credit facilities for small industries.

1. On account of continuous failure of monsoon for the past 10 or 12 years the irrigation sources of Tiruppattur taluk have not been receiving adequate supply and consequently the economic condition of agriculturists has become miserable. Three-fourths of the villages of this taluk are mitta villages and the mittadars, I understand, grant no remission for wet lands whether the mitta village tanks get adequate supply or not, not to speak of remission for dry lands. The condition of the ryots of mitta villages is, therefore, more pitiable than that of those Government villages.

The ryots in this taluk have become greatly indebted by continued failure of rain. For expenses of cultivation for capital and permanent improvements and for other special needs agriculturists borrow money from professional money-lenders and rich landholders at 9 to 24 per cent on promissory notes, simple instruments, mortgages of lands and pledge of movable properties for short terms of six months or one year. A very great part is played in agricultural finance by professional money-lenders and merchants. The help sought from Government is scarce. Indigenous banks and bankers are not to be found in this taluk. In the whole district they are very few. Roughly a lakh or a lakh and a half of capital will be required for the various purposes stated above. To me the defects appear to be short terms of loans and high rates of interest charged at present. Long terms of loans and reduced interest of 6 per cent will to a great extent improve the economic condition of the agriculturists. The security taken may be equal to the loan advanced to guard against loss to Government or banks.

2. Principal crops in this taluk are:—(1) kambu, (2) ragi, (3) cholam, (4) samai, (5) varagu, (6) paddy, (7) dholl, (8) groundnut, (9) castor, (10) horsegram and (11) sugarcane. Of these, the first six crops are not sold by ryots unless they are produced more than what is required for their consumption. The remaining five are commercial crops. The last crop, sugarcane, is sold in festivals as it is and some ryots convert it into jaggery and sell in markets. Those who have cultivated dholl, groundnut, castor and horsegram on borrowed capital, sell them to merchants immediately after their harvest to pay off their creditors. Such ryots cannot afford to wait till their commodity becomes dear in the market and fetches a decent price. Some measure out their produce to their creditors for whatever price prevails at the time of harvest. Those who cultivate with their own capital store all kinds of grains after meeting their own demands and sell them when their price rises in the market. The people of these parts know very well how to market their produce. All that they require is capital for long terms of 2 or 3 years and easy rates of interest of 6 or less per cent, the common rate of interest of money-lenders now being 15 or 18 per cent. Merchants and dealers try to get the produce as cheap as possible at the time of harvest but banks and bankers do not take produce for the money they have advanced to cultivators.

Hundis and hills are not in use in this taluk. During the process of marketing only money and currency notes are used here. If the cultivators are helped with loans for long terms and at low interest, no warehouses are necessary.

3. Wet and dry lands have different values, wet lands being more valuable than dry. Wet lands in this taluk have gone down in value very much owing to continued failure of monsoon. They are now worth from Rs. 100 to Rs. 500 an acre according to the fertility of the soil and the facility for transport of produce. Dry lands also are valued at from Rs. 20 to Rs. 250 on the nature of soil and transport facility. There is no difference in the value of lands when sold for arrears of land revenue.

in court decrees and in purchases by private negotiation. As stated above, the value of lands is based on the nature of soil, facility of transport. It also depends on the demand for cultivation. Lands in the vicinity of villages will have a better demand than those remote from villages.

4. There is no legal impediment to mortgage of land and agricultural holdings in this taluk. There are no land mortgage banks or agricultural banks or any other banks for the provision of long-term credit. They should be opened either by Government or by joined stocks. But I am not confident that moneyed men would come forward and start a land mortgage bank to lend money at 6 per cent as private banks usually charge 9 to 12 per cent. The existing records of rights are quite sufficient and I do not suggest any improvement therein. The mortgage bank in the event of non-payment may sell the security land after one month's notice to the borrower. No charge may be made in cases of references to the records of rights and of registration of records and of the processes of law so as to reduce the burden on the good constituents of the bank.

5. In this taluk money is borrowed generally on cultivable lands. Loan is raised on the pledge of jewels and houses also in some cases. Debt is not given on the general security of all the assets without a specific pledge. Debts are incurred for the payment of earlier debts, marriage and other social occasions, famine and other kinds of distress, growth of the debt by compound interest, interest not having been paid, seeds and manure, sinking of wells and agricultural improvements and education of children.

The debts are largely due to banks and professional money-lenders and to a small extent to Government and co-operative societies. As already stated, the common rates of interest are 15 and 18 per cent. It is calculated for a year and the payment of it is enforced in civil courts and for small amounts in village panchayat courts. There are some, though not a large number of people, who are efficient farmers, being turned into tenants for a period or tenants-at-will, through the process of the enforcement of the old debts and the landed property passing on into the hands of creditors. Of course, such a process does take away from the actual cultivator the incentive to produce more and in an efficient and better manner.

6. Small subsidiary industries such as rice-milling, gur-making, dairy-farming, garden produce, cotton ginneries, sugar refineries, hand-spinning, poultry-rearing and coir and mat-making can be encouraged to engage farmers during seasons when they cannot make full use of their time on their farm and thus enable them to supplement their income and to raise their standard of living. The land mortgage banks when instituted should advance small loans for the said industries at a low interest. Similarly, handloom-weaving, fishery and metal vessel-making industries also could be started.

III.—Investment habit and attraction of capital.

1. Investment habit is rarely found in the agriculturists as most of them have no savings at all after paying their creditors the capital and the high interest. There is enough facility for investment provided the farmers have any savings. Those who are able to effect a saving are more prone to invest it in silver and gold ornaments chiefly for the reason that they can get small loans when necessity arises by pledging those jewels.

2. Postal cash certificates are not popular in this taluk. A majority of the agriculturists are illiterate and they will find it difficult to withdraw money from the postal savings banks. It is the Government servants and municipal and local board servants that resort to putting into savings banks their small savings, if any. Perhaps rising the rates of interest for the savings bank deposits may attract other classes of people.

3. The money got by sale of produce is almost immediately expended in paying off debts and interest thereon leaving very little to meet the family expenses until the next harvest in the cases of 95 per cent of the farmers. The remaining 5 per cent put it by to be lent to the needy ryots in the following year. Farmers who have any surplus money after meeting their expenses do lend it to fellow agriculturists on interest ranging from 9 to 24 per cent according to the sum lent and the period for which it is lent, demanding more interest for small amounts and for short periods.

4. Issue of cheque is not popular in this taluk.

5. It is true that the banking and investment habit in India is of very slow growth. It is entirely due to want of capital to be invested, as India is not an industrial country. It is industry that will bring money to every one. The main occupation of the people of India is cultivation which entirely depends on sufficient and timely rains. If one year happened to be prosperous several succeeding years are unprosperous nowadays.

In the first place arrangements should be made for advancing loans for a period of at least 10 years at 5 or 6 per cent on mortgages of land equal to the amounts of loans establishing land mortgage banks. This will enable the agriculturists to have some savings every year after paying off the loans by annual fixed instalments. When they are given the opportunity to save something they will naturally take to investments in postal savings banks, co-operative banks, or some other banks. In short it is exorbitant interest and short periods of loan that impede the prosperity of the agricultural population in India.

Written evidence of M.R.Ry. B. T. SESHADRI ACHARIYAR
Avargal, President, Taluk Board, Tiruppattur.

I.—Agricultural credit and credit facilities for small industries.

1. Owing to the continuous failure of monsoon and the consequent absence of floods in the Palar and its tributaries, the economic condition of the ryots in the district of North Arcot is far from satisfactory. It is no exaggeration to state that 95 per cent of the ryots are indebted. At present, most of the agriculturists in the district borrow money for cultivation, for capital and permanent improvements and for other special needs connected with the land, from the professional money-lenders, merchants, co-operative societies and other dealers, on personal and land security.

Some have secured takavi loans from Government. The Imperial Bank and joint stock banks do not advance money to the agriculturists. On the other hand they encourage merchants and other dealers. The rate of interest charged in this district in respect of advances made to the agriculturists varies from 9 per cent to 24 per cent per annum. The co-operative societies do not generally lend more than Rs. 500 to an individual. The term of such loan is now reduced to one year. Consequently co-operative societies in rural areas have not done much to relieve the distress of the agriculturists. Private banks are practically usurers. Therefore, it is the duty of the Government to relieve the indebtedness of the ryot and encourage agriculture which is the main source of revenue and the backbone of the country's industry.

The total amount of capital required to relieve the present indebtedness of the agriculturists in the district is according to my opinion not less than one crore of rupees including the capital required for cultivation, permanent improvement, land revenue and other special needs during failure of monsoon.

The remedy, I suggest, is that a land mortgage bank or several land mortgage banks with an aggregate capital of a crore of rupees, lending money at not more than 5 per cent interest payable in 30 annual instalments must be established in one or more centres in the district. These banks must be empowered to lend up to Rs. 20,000 to each individual agriculturist on the security of lands and other immovable properties. The loans shall be granted to each individual at two-thirds of the estimated cost of the lands and other immovable properties mortgaged.

2. If the indebtedness of the agriculturists is removed by the establishment of land mortgage banks as stated above, I do not think co-operative efforts for marketing agricultural produce are necessary. The agriculturist will then be able to wait till he gets the highest price for his commodities.

I am of opinion that industries like tanneries, sugar and sugar-candy refineries, handloom-weaving, mat-making, glass bangle-making, poultry-breeding, dairy-farming, furniture-making, manufacturing of bonemeal and other artificial manures, coir-making, rice-milling, gur-making, cotton-ginning, garden produce and hand-spinning must be encouraged as supplemental to agriculture and be included in the list of industries to be aided by Government according to the State Aid to Industries Act. These will give employment to the farmer during seasons when he cannot make full use of his time on his farm and thus enable him to supplement his income and raise his standard of living.

II.—Indigenous banking.

There are few indigenous bankers in villages scattered here and there. These grant loans to the agriculturists on high rates of interest. The dealings of this class of bankers with the agriculturists are not conducted on sound lines or on definite principles. These bankers are not quite popular with the agriculturists as the treatment meted out to the latter by the former is more or less equivalent to that meted out to a slave by his master.

III.—Investment habit and attraction of capital.

The opening of new branches in recent years by the Imperial Bank of India has not helped and will in no way help the poor agriculturists unless the bank comes forward to give long term loans on the security of land on reasonable interest.

Written evidence of M.R.Ry. R. V. SUBRAHMANYA AYYAR
Avargal, Journalist, Tiruppattur.

General.

An enquiry of this kind has long been a desideratum in this country where joint-stock banking is assuming an importance all its own. The peculiarities of the Indian banking system do require a special and exhaustive treatment by itself. Our banking system falls under two heads: (1) banks working under modern methods, (11) banks working under indigenous methods. The Imperial Bank of India falls under the first group, but is at present doing business more on a commercial scale. It should be freed from the commercial commitments and rendered able to benefit Indian banking generally.

The majority of Indian joint stock banks are very small. They take small deposits and grant loans on jewels, immovables and other securities. Their operations affect very little the general money-market.

In our country, we have no scope for banking development on sound lines and bringing the facilities for savings within the reach of small depositors.

The co-operative movement is of recent growth. It is purely an organization to unite our weak peasantry through cheap credits at reasonable rates of interest on the security of their lands. There are three kinds of co-operative banks in our country, the village bank, the district bank and the provincial bank and an Indian ryot requires three kinds of advances (1) short term loan, (2) an intermediate loan, and (3) long term loan.

In order to encourage the co-operative movement it would be necessary to give further concessions.

The indigenous banker performs the same functions as the joint stock bank but his money is not available for industries except small domestic industries in which he advances money. Similarly, in agriculture, the village sowcar cares to advance small sums on the crops and in all such cases, the produce has to be sold to him directly it is harvested. These bankers have great solidarity among themselves by their being members of the same community. But there is absolutely no prejudice against these bankers.

The record of Indian banking has been blackened by a few prominent cases of dishonesty in administration but mismanagement and dishonesty in banking are by no means the exclusive monopoly of the Indian. I would emphasize that the public should give up their attitude of indifference to Indian banks and should give them their fullest patronage and should keep alert watchfulness about their working and management.

The midhis and other indigenous banking concerns cannot be regulated and controlled by means of special laws unless the working of the Companies Act in this Presidency is undertaken by a separate department with a qualified staff.

In conclusion, systematic studies of banking and economic problems among the rising generation ought to be encouraged by prizes, medals and scholarships if we are to advance in economic prosperity which is so badly needed in this country and for which a committee of experts is going to begin its work.

**Written evidence of M.E.Ry. N. GOPALA AYYAR Avargal,
Pleader, Tiruppattur.**

I.—Agricultural credit and credit facilities for small industries.

1. The life of a peasant proprietor of a small holding with regard to its cultivation is a life of constant and recurring indebtedness. Debts are raised on the expectation of the harvest. If the harvest is poor, the yield goes to pay a portion or the whole of the debt contracted at the time of sowing, with the result that for the expenses of the next sowing, the peasant proprietor again runs into debt.

Finance (debt) is obtained either from the money-lenders of the locality on personal covenant or from co-operative societies in villages where such societies exist, on the security of land. There are also cases where the money-lender also passes the loan on security of the land and the banks on personal security of the debtor and his surety.

The rate of interest on loans issued by banks is less than 12 per cent and ranging from 12 to 36 per cent when the money is advanced by the money-lender. Generally, no time is fixed for repayment in cases where the money-lender advances the money but the parties understand as to when the debt would be repaid by parole agreement.

The co-operative society fixes the time and the instalments by and under which the debt is to be repaid.

There are also cases where the money-lender advances a loan on the security of standing crops in which cases, he takes the produce on harvest and makes good his loan. The groundnut and sugarcane crops generally come under the above category.

Generally speaking, the peasant proprietor has only two sources for securing debt from money-lenders, professional or otherwise, and from co-operative banks where they do exist. Other institutions are quite beyond his reach, nor are they willing to advance loans for agricultural purposes.

The system of agricultural operation now obtaining is unsteady and most disappointing in results. It only leads to the formation of a vicious circle of debts and more debts which, once contracted, are never discharged and ultimately the peasant parts with his lands to his creditor.

There is absolutely no co-ordination among the agencies which at all relieve the peasant to any extent.

The establishment of co-operative institutions in every village with funds supplied by the Government when it is not sufficiently advanced by the peasants themselves and issue of loans issued charged at a reasonable moderate interest and made repayable by easy instalments extended to a period of not less than three years would, it appear, relieve the peasant proprietor greatly of his embarrassment.

2. There is no difficulty in these parts in the matter of marketing the produce. In most cases, the capitalists who generally reside in the market towns and who have advanced loans on the standing crops, see to it that the produce is brought to them for sale. It is also necessary to note that by successive failure of monsoons, there is little produce available for marketing since the harvested produce is retained for consumption for the year. This method whereby the produce is taken away by the creditor leaves the producer at his (creditor's) mercy both in respect of price and balance available after the creditor is paid.

If co-operative aid can relieve the peasant during all the stages of production, co-operative effort at marketing will be very beneficial to the peasant.

3. The value of land per acre could not be definitely stated. It depends on irrigation facilities and of means to tank and river channels. Wet lands would fetch a price between Rs. 800 and Rs. 1,500 according to the amount of water available for irrigation during the year. In cases of punja lands that also depends on the richness of the soil and may fetch a price of Rs. 300 to Rs. 700 per acre.

The above valuation would be the price of land in private negotiation. Of course, even this value would vary within limits according to the demand or according to the necessity of the sale of the land. In court auctions, the value would appreciably diminish and might fetch between 30 to 50 per cent of the value stated above. The decree-holder largely becomes the auction-purchaser and he sets off the decree debt towards the sale price. The decree debt would generally be one-third or half of the value of the land brought to sale in court auction.

In Revenue sales the lands are sold as it were for just above the arrears due and for which they are brought to sale. It would be dangerous to fix the value of the land according to what it fetches at revenue or rent sales. The purchaser at the revenue sale is at least 70 to 50 per cent gainer in the transaction.

4. There is no legal impediment for mortgage of lands in these parts. As a matter of fact about 75 per cent of the lands would be found to be encumbered under one form of mortgage or other.

The establishment of land mortgage banks would certainly help the needy landlord and prevent private alienations to a very great extent. There is also the advantage of the land not passing out of his hands if he is honest and economic.

5. The ascertainment of the indebtedness is not as difficult as it appears. The village officers may easily be trusted to know mostly about the assets and liabilities of the villagers.

Secured debts may easily be ascertained at the offices of registration.

The debts covered under 5 (c) excepting in the case of mortgage of houses may be about $\frac{1}{3}$ of the number of mortgages of other immovable properties.

Debts are largely contracted at subsequent stages for discharging prior debts. They are originally contracted largely for expenses for marriage and other social occasions and nextly for agricultural purposes—such as digging wells, etc.

The debts are largely due to the money-lender of the locality, the neighbouring money-lenders and to co-operative banks in the order of priority.

The rates of interest may be anything between 12 and 36 per cent in the case of individual money-lenders and less than 12 per cent in the case of co-operative banks.

The payments are generally enforced through courts. There are also cases where the interest for the first year is withheld from the principal and the balance paid.

It is the tragedy of the agricultural operations in the land that efficient farmers are turned into tenants and through the enforcement of old debts the once efficient farmer becomes landless and not unoften immigrate and emigrate. That is why labour in village parts becomes gradually rare and the rank of the agriculturists gets thinned annually. It is only natural that agriculture becomes most unattractive and dull apathy sets in with dire consequences which nature and season also seem to accelerate in these parts.

6. So far as subsidiary industries are concerned, rice-milling takes the first place; garden produce and hand-spinning are the only other occupations but they take a second place to rice-milling.

For the other subsidiary industries, generally the enterprise is wanting. Nextly capital is not available, and lastly the initial failure closes down the enterprise for ever.

Government can best help by lending capital and trained men to work the industries at least till they take root and then leave it to private agencies.

The only enterprise which can absorb the leisure months of the agriculturist is spinning and weaving. The Indian woman of the agriculturist classes appears to have a special aptitude to spinning and weaving is easily done by the men.

Government lending initial capital and raw materials to these men and buying yarn or the twisted product at fixed centres all over the locality appears to be a practicable machinery for financing this enterprise.

II.—Indigenous banking.

The common forms of banking institutions in these parts are the co-operative banks and the *nidhis*. For the most part their functions are to receive deposits, enrol shareholders and lend out money for shareholders only or to strangers only on personal or property security.

2, 3 and 7. The indigenous banks or bankers directly advance agriculture as money lent may be used for agricultural purposes also by the debtors. The interest charged by these indigenous banks and bankers is greater than the other kind of banks. Hence there is always slight prejudice against these institutions and men but the needy peasant has no option.

10. Generally enough funds appear to be available for distribution at these institutions.

After all some time elapses between the time of application for the loans and its grant and by that time funds are managed. The refusal is generally for insufficient security and rarely for want of funds. It is also possible that to refuse a loan, the excuse of insufficiency of security is put forth.

11. It is desirable to co-ordinate these indigenous institutions, since otherwise their services are limited to the extent of the funds at their disposal and also a system of unhealthy competition could set in between rival institutions with grave risks attendant on such rivalry. There is everything to be said in favour of co-ordinating the activities of these institutions by some such bank as stated in question 11.

Co-ordination is also likely to steady and increase the credit of the institutions which in turn will attract deposits.

III.—Investment habit and attraction of capital.

1. The *nidhis* and co-operative banks formulate schemes which foster the saving habit. In the case of these institutions there is also the fear of a crash which prevents deposits and consequent failure to make use of those schemes.

The habit of the people in investing the savings in gold and silver is not a thing of the past. It prevails very largely in the rich and middle classes of people. Gold and silver absorbed in making jewels may be utilised by placing their value at the disposal of the banks as fixed deposits or on current accounts.

It is to be noted in this connection that it is a very small percentage of the population that at all can save anything. The rest carry on a dreary hand-to-mouth existence. Such little savings of theirs get spent for marriages or on social occasions.

2. Postal savings banks command more prestige and credit than all the other indigenous banking institutions and the co-operative banks. Hence they are popular so far as deposits go. The ordinary depositor breathes more freely with his deposits therein than in the other institutions that invite deposit.

It is only the intelligentsia that generally make use of the (postal) savings bank. The rule for payment of money once a week now obtaining should be amended as for paying money twice a week in the post office.

3. Merchants who obtain money by sale of produce again invest them in buying produce and increase their resources. They know better than keep it idle in their hands.

5. It is true that banking and investing habit is of slow growth. The cause is primarily absence of savings in a population that is largely poverty-stricken, nay, even famine-stricken. There is little to save and less to invest. Nextly, it is difficult to persuade the people to invest when the fear of losing it is looming largely in their minds. There is reason for this apprehension also.

Thirdly banking institutions are new to the people and it takes time to educate the people about their usefulness. In a land where illiteracy is appalling, it is needless to be surprised at the slow growth of banking institutions which require an amount of intelligent co-operative atmosphere.

Education and more education and Government taking increased interest in agriculture, co-operation and industry are the only panacea which would remedy this as well as other co-ordinate ills and usher the dawn of an era of co-operative and corporate activity.

Written evidence of M.R.Ry. C. R. KRISHNASWAMI AYYAR
Avargal, B.A., First-Grade Pleader, Landlord and
Taluk Board Member, Tiruppattar.

1.—Agricultural credit and credit facilities for small industries.

1. The life of the agriculturist, whether of a large or small holding, is not generally prosperous. It is one of heavy indebtedness.

(a) For expenses during cultivation he borrows in the hope of repaying it out of the hoped for yield which very often disappoints him on account of the failure of monsoons, the result being, by the next harvest season his debt accumulates to an amount which he is quite unable to pay without disposing of a portion of the land itself ultimately unless monsoons favour him again.

(b) For capital and permanent improvements loans are obtained either from money-lenders or from co-operative societies if any either on personal security or on the security of the land.

(c) For other special needs or for paying kists also loans are raised as stated in (b).

The rates of interest charged by private money-lenders vary from 12 to 36 per cent the higher rate generally operating in cases of default. Time for payment varies from 2 to 3 years in the case of simple bonds, 2 to 5 years in the case of land mortgages and in the case of promissory notes there is generally an oral understanding to repay the loan within a year or two.

In the case of mortgage of standing crops the term is very short and there is a chance of speedy realization provided the crop does not suffer on account of drought. Sugarcane, turmeric and groundnut are brought under this. The rate of interest prevailing in co-operative societies is less than 12 per cent but the loan has to be raised in the village societies on the security of land which is very often sacrificed on account of failure of crops and the consequent inability of the borrower to repay the loan in spite of the low rate of interest.

The agriculturists in our district generally depend upon the private money-lenders or the rural co-operative societies wherever they exist for obtaining the necessary funds. The other lending institutions do not play any appreciable part in our areas.

I am not able to give an estimate of the total amount of capital required for my district for want of the necessary statistics.

The main disability under which the agriculturists are labouring is the uncertainty of the monsoons and the consequent failure of crops very often and want of facilities for irrigation and storage of even the little rain-water for purposes of agriculture, especially in our district. Industrial conditions are gradually taking the place of agricultural conditions and are fast draining away the agricultural population from the villages to the nearest towns—a state of things highly deplorable and much to be apprehended and guarded against. This state of things if not remedied by introducing effective means of water-supply and irrigation at an early stage is sure to ruin the little activity that exists for the production of food-grains and fodder for cattle. Many villagers have also emigrated to foreign countries owing to failure of agriculture.

There is no co-ordination among the credit agencies as matters stand at present. Multiplication of agricultural co-operative societies, long-term loans repayable in small instalments, Government aid for capital for such loans whenever necessary and a low rate of interest may help the suffering peasant a good deal.

2. As regards marketing of agricultural produce no serious difficulty is felt. There are business centres very close to one another and the facilities of transport, railways and roads afford easy access to the market. Besides

the agents of the capitalist in the town go about bargaining in the villages and the ryot who is not indebted to any capitalist by way of mortgage of crops or mere advances taken on the promise of repaying by next harvest, is free to have the full market value for his yield. But such a ryot is generally rare in villages for the reasons already stated.

Co-operative efforts to help the peasant with money during the cultivation season must be made and popularized to avoid starvation for the producer. Even for marketing co-operation will render immense help.

3. In our district the average value of an acre of *wet land* having sources of irrigation such as a tank or river channel may be estimated between Rs. 500 and Rs. 750. In certain important villages where there are both the facilities the average value even comes to Rs. 1,000 per acre and a little more.

Dry lands which are now largely used for growing groundnuts and choham in recent years are valued at Rs. 100 to Rs. 150 per acre generally. Dry lands are sometimes cultivated with garden crops, vegetables, fruits, etc., with the help of well irrigation and the value of these per acre may be put between Rs. 200 and Rs. 400.

The above values may be taken as prevailing in the case of private negotiations.

(a) The land in Government auction for arrears of land revenue is very often knocked down to a very low price—the best and the most valuable lands are sometimes sold away for a nominal price—of tens and fifteens.

(b) The lands sold in execution of decrees of courts are in a more favourable condition than those subject to revenue sales; but even in this case the price fetched is often much less than that got by private negotiation, perhaps 33 per cent less.

(c) The value of the lands in private negotiation has been already answered.

4. There is no legal impediment to mortgage of land and agricultural holdings in this province. Lands are very often subject to mortgages of some form or other and very often lost ultimately to the owner owing to the reasons already stated. Long-term loans on mortgages and the introduction of land mortgage banks on a large scale will highly help the peasants.

5. The village economic statistics and an idea of its credit can be obtained from the figures available in rural co-operative credit societies and the registration offices of the taluks.

In many cases cattle and standing crops are pledged for taking loans by agriculturists.

Many of the purposes mentioned in (a), (b), (d), (e) and (h) are common in the matter of taking loans in villages. The private money-lender was a prominent figure till the co-operative societies acquired popularity. Now that co-operative activities are progressing the private money-lender is gradually going to the background unless he is also prepared to afford similar facilities to the borrower.

The rates of interest are decidedly high with private money-lenders ranging from 12 to 24 per cent whether on security of immovable property or on personal suretyship. Sometimes advance interest is also deducted from principal and instalment payments agreed upon. The payments are generally enforced through courts.

As the agriculturist is running deep into debts which he is unable to pay the land is lost to the owner and the capitalist becomes the landlord and the debtor his tenant—a relationship which is not at all conducive to the growth of a healthy agricultural condition, especially when the tenant has no incentive either to stick to the land or improve its production of which he is not the entire owner. The landlord who is the capitalist on the other hand has no incentive to improve the land or make it yield more on account of the uncertainty of the monsoons and hopes to thrive more by lending out his money to interest than help the poor tenant to increase his production by creating greater irrigation facilities.

6. So far as subsidiary industries are concerned, rice-mills, groundnut factories, cotton-ginning, garden produce such as mangoes, grapes, oranges, production of jaggery by country methods, dhall-splitting, flour-milling, hand-spinning and oil-pressing are found in several places.

Agriculturists must be provided with facilities for marketing their garden crops—perishables—as quickly as possible so as to realize the proper price for their fruits or vegetables without being left at the mercy of wholesale fruit dealers.

Government may help the agriculturists in this direction by lending money and expert help to start industries to work up their garden produce into some essences which could be bottled up and preserved and offered for sale to foreign countries to their best advantage and at the best seasons.

The common and popular industries for the spare hours of the agriculturists are spinning and weaving which will not require much capital provided in the early stages at least it is not affected by competition of machine-made cloths.

Co-operative production and distribution and timely help by Government with capital if necessary may improve the condition to a great extent.

6. (a) Pottery, metallurgy, carpet-making, straw plaiting are going on in some quarters but they are mostly handmade and require considerable help in the matter of capital and machine.

7. There are two institutions, viz., co-operative banks and joint stock companies called *nidhis* which subscribe share capital, receive deposits, advance loans on securities of various kinds. There does not appear to be much competition between these two kinds of banks as members of the one are also members of the other and are therefore interested in the welfare and popularity of both. But co-operative societies stand on a better footing and enjoy a greater degree of popularity and usefulness. Hence every attempt should be made to help the growth of co-operative societies by allowing concessions of every kind.

II.—Indigenous banking.

1. The indigenous banking is carried on in these parts by private money-lenders who lend out money for interest on the security of movables such as jewels, etc., and also on immovable property. There are also private *nidhis* on the joint stock principles which receive deposits, take in shareholders and advance loans to shareholders only on proper security.

The private bankers are Nattukottai Chettis in many places.

2. These indigenous bankers are not of any help to the agriculturists. They are concentrating their activities mostly in the industrial and business world where immediate profit is obtained for moneys lent without waiting for a term of years or doubtful returns. They may be useful for traders only and not for industries or agriculture.

4. Most of the indigenous bankers advance loans on promissory-notes repayable by monthly instalments, the interest for a few months being deducted out of the principal in advance. The terms are sometimes very hard and prohibitive. Small employees on monthly salaries are very often caught in their meshes. Thanks to the co-operative societies for the useful work they do in checking the vagaries of such money-lenders. But the co-operative societies cannot be of much help to those who are not having a stationary life in any particular place so as to be attached to any society.

5. The indigenous bankers supplement their own capital by borrowing from co-operative and joint stock banks at a favourable rate of interest and lend out these sums to small borrowers at a high rate of interest and on their own terms—a practice which ought to be discouraged and condemned as quickly and as thoroughly as possible. The rate of interest charged is also sometimes twice as much.

A reduction of this rate of interest and the discouraging of the above practice will help the agriculturists a great deal; but side by side there must be facilities for borrowing at short notice and at a low rate of interest so that the agriculturists may not be forced to wait for the loans applied for until the season and the necessity are over.

7. In the case of indigenous private bankers very often payments made by debtors are not carefully endorsed or vouchers given so that often troubles arise in the matter of repayments. Some safer method of protecting the interest of the honest debtors and also equal safeguards for the capitalist against false pleas of dishonest debtors will have to be devised in order to smoothen the working of the indigenous private banking.

III.—Investment habit and attraction of capital.

1. The post office savings bank, the co-operative societies and the nidhis are the well-known institutions for encouraging savings. Sometimes some private merchants in busy towns having long-standing credit also attract the savings of some people by way of deposits for interest. But people are often afraid of the co-operative banks and nidhis as they are often subject to failure owing to disruption and mismanagement. In the case of post office savings banks there is greater security but very few people resort to the savings bank as the interest offered is not attractive. Hence there is a tendency for persons having small savings also to advance moneys on security to the villagers for short terms to suit the convenience of both parties.

Only the more enlightened section of the public resort to the post office savings bank, and even this is found only in towns.

The economic condition of the people at present is generally so embarrassing that it is not possible to think of savings and investment in banks. Many are unable to find hardly one meal a day.

There does not appear to be in modern times a tendency to hoard money or to invest it on a large scale in silver and gold. There is on the other hand a feverish anxiety on the part of even the poor people to spend liberally on clothings and appear neat and tidy rather than bedeck themselves with ornaments.

2. Postal cash certificates were once popular but to make them more attractive more favourable terms should be offered. Savings banks in the post offices should be extended to almost all villages and facilities afforded for all people to attract savings. If necessary, the rate of interest may be raised.

3. In the case of agriculturists most of them are poor and have very little left for them after meeting the expenses of cultivation every year. The little savings, if any, generally go towards the improvement of the land itself to ensure better crops for the succeeding year. A few big pattadars sometimes find some savings, etc., which are lent to their neighbours on the security of lands.

Merchants invest their savings in enlarging their business and sometimes on lands and houses. They have very little temptation for lending for interest.

The official section have hardly anything to save and the savings, if any, are spent away for the education of the children and for social expenditure—marriages, etc., which drain a good deal very often and even go the length of spending by borrowing at considerable risks—a pitiable state of things indeed!

5. The banking and investment habit in India is in my opinion of very slow growth.

The causes are (1) poverty—very many lead only a hand-to-mouth existence and are not able to save anything, (2) the philosophical mentality of the people generally which does not concern itself much with the morrow, (3) want of industrial habits and lack of enterprising spirit and (4) absence of education on co-operative and allied lines.

Free and wide and useful education of the masses alone will be the best means of remedying most of the defects noted above. An unstinted help on the part of the Government will therefore be greatly needed.

**Written evidence of M.R. Ry. W. V. VEERARAGHA
MUDALIYAR Avargal, Walaajpet.**

I.—Agricultural credit and credit facilities for small industries.

1. It is a curse, I should think, to agriculturists that even the biggest landlords find it hard to meet the expenses of cultivation just at the time and have to depend upon others. Their wants are met by co-operative societies and private money-lenders on pledge of jewels and even other belongings for small amounts. But in the case of growing of export crops such as cotton and groundnuts the intending purchaser and the accustomed merchant of the place advances such amount as is reasonable in his estimation for getting it back at the time of harvest with conditions that the whole of the produce should go to him as soon as harvested and at a rate profitably fixed by him then and there.

For all capital expenditure such as purchase of additional lands and other permanent improvements to them, co-operative societies do not fully help the agriculturist, but Government loan under the Land Improvement Loans Act with the revised rules may help him a great deal. But in the case of continued drought for two or three years none of the above financiers come to the help of the poor ryot, who is left to the mercy of the Gods and sells away his belongings one after another. But in Government loans the Collector's discretionary power to extend the time of repayment and also to suspend for the time the paying of the instalment and the levy of penalties ought to be more free and more felicitous. This would prevent many an unhappy and discontented ryot from going out of his native place as indentured labourer to distant places.

The rate of interest varies with the amount borrowed and the nature of security offered and time. Interest from $7\frac{1}{2}$ to 9 per cent prevails on the mortgage of land or property for long periods and from 12 to 15 per cent on the pledge of jewels. For shorter periods they charge more. There are the pawn-brokers even in small towns who develop clients in and around the surrounding villages, who have no one principle either in the rate of interest they charge, the time limit they allow or the security they accept. As their lendings are small and freely advanced they thrive well. To create a necessity for the speedy opening of joint stock banks and indigenous banks the Government must prohibit by law at least such of the pawn-brokers as deal in discounts, deal on the credulity of uneducated villagers and in places where only agriculture is the main occupation and no industry exists. But I think there will not be any shedding of tears anywhere by anybody if this bad and ruinous method of Marwari financing is entirely put a stop to.

To utilize the benefits of the co-operative society to the fullest extent the head or apex bank must be prepared to advance long-term loans and the secretaries and panchayat members should be taught all the methods of banking and trained to properly gauge the situation ahead and be prepared to meet it with novel proposals of financing them from their own society. If each local society is able to estimate its capital required to meet the demands for ever or for each year then a financial survey of a taluk or district can be easily got and such a kind of survey will be useful in so many ways if undertaken by Government.

2. In this district jaggery, groundnuts and paddy are the principal crops that require marketing outside the sphere of their production. Pulses, cereals and tobacco are brought to the centre of export and import trading place of the district for sale. Here there are a number of commission houses that have credits and overdrafts with the Imperial Bank's local branch and with the two indigenous banks that work there. The produce of the agriculturist is taken there for storage to be sold later on when the prices of the same are at the highest in the seasons, when wholesale merchants go there from far off places. Meanwhile the agriculturist gets an advance from the commission house at a reasonable rate of interest, which amount has to be deducted from the sale-proceeds of the produce afterwards. The house gets a decent commission of $1\frac{1}{2}$ per cent.

A co-operative produce and loan society, if started in the principal place of commerce of the district, with its members comprising the producers of several crops of the district from every corner of the district and if it takes up the functions of the commission houses above referred to with large facilities of long-term advances from the apex bank will be found highly useful and will work well unlike the one at present disfunctioning at Tiruppattur in our district.

To an agriculturist the use of negotiable instruments is a rarity and is not in daily use. Except cash hundis for advances made which are in the form of promissory notes, all others are in the form of a letter authorizing one firm to pay on such a date the amount to the party mentioned therein and debit same to the account of the drawee. Such hundis are not discounted by others of the locality unless the drawee is near by.

3. Lands on which paddy and sugarcane grow are valued high. Those that allow of all kinds of pulses, grams and groundnut and ragi are valued less. The former have irrigation facilities from river channels, tanks and anicuts, while the latter have none of the above but are rain-fed or well-fed. The anicut system fed lands are generally priced at Rs. 1,000 an acre, while the same rate is in vogue for channel-fed lands in the villages where the maintenance of such channels is carefully undertaken by the villagers. Lands under tanks also differ in prices according to the extent of the sources of supply and the possibilities of getting filled for the first rain. These are priced at nearly Rs. 800 an acre. Dry lands vary in prices according to the proximity of thickly populated villages and nearness to an industrial place where the labourers of the industry are mostly cultivators. Well-ploughed red-soil dry lands are priced at Rs. 100 an acre, while all others are valued between Rs. 20 to Rs. 60. Garden lands are priced in the same manner.

There was no occasion in my district for the auctioning of lands for non-payment of kist by Government to any great extent as there was not the non-co-operation or no-tax campaign. In cases of small bit sales due to the above cause the current rate of value in vogue in the village prevailed making no difference between a Government auction and private sale. Of course it goes without saying that Government auction and court auction lands are priced at a discount unless there is keen competition among the bidders due to any personal animosity.

4. A land mortgage bank was started at Sholinghur in my district which I understand is not properly working due to want of sufficient funds. It is maintained by the deposits of members and few non-members. It has not been helped by either the co-operative bank or Government. By the recent establishment of a central land mortgage bank to help these district banks, I think a way has been found to fully work it out. There is no question about the existence of the want for a bank on such lines for the raising of large amounts for long terms at a low interest among big landlords and petty zamindars who otherwise ruin themselves involving their estates. Government help is essential in financing these banks and supervising them. When people get to know that an institution like this is worked properly under the control of Government and on a co-operative basis then they will come with deposits. There has been evidence of decided improvement in the mentality of depositors since the advent and proper working of the co-operative banks and we see people investing largely in co-operative banks.

5. Any new machinery employed to get done a proper and accurate survey of the indebtedness of the agricultural classes otherwise than through the establishment of small credit co-operative societies, would involve a heavy expenditure disproportionate to the service rendered. For the present information may be taken from the Administration Report of the District Co-operative Department. If a society is started in every village and worked for two years it can furnish in accurate detail the indebtedness of every individual there and also estimate the capital required to finance it.

In my opinion no cultivator is ruined due to his marriage and social expenses, or payment of land revenue, or purchase of seeds, implements, or making improvements to his land, or for expenses of education of his children, as he is generally very calculative and does not enjoy amenities of life beyond his means. But he gets into trouble due to famine, perversities of nature, failure of monsoon, and death of his cattle due to epidemics and runs into debt. If it is contrived in a co-operative society he gets

relief soon; in any other case he becomes an undischarged debtor due to a high rate of interest imposed and the periodical addition of interest to principal making it compound.

True, very stringent measures are taken by professional money-lenders for the payment of the debt, yet nowadays no cultivator is so credulous as to pass off his lands into the hands of the creditor for any value less than what it could be sold reasonably for. But there may be exceptions (very rare) to prove the rule and in such cases the incentive to produce more and in an efficient manner is much less.

6. Cotton-ginneries, sericulture and tobacco curing may supplement the resources of the cultivator in off seasons in certain districts. But for all the cultivators in the province where there is no such industry supplemental to agriculture, I would suggest hand-spinning and weaving as the best. I further think that match-making and beedi-making may be equally tried with profit as cottage industries.

I can think of no other machinery to finance such schemes than Government. It must advance loans under the Aid to Industries Act and form a co-operative society to supervise them and work them profitably.

7. There does not seem to be any relation between the co-operative banks and other banks except that the transactions of the district central bank and the Madras Central Bank are made through the branch of the Imperial Bank.

Free transmission of co-operative money through postal money orders between bank and bank and general exemption from payment of income-tax to all co-operative societies may stimulate the growth of co-operative institutions.

Written evidence of M.R.Ry. S. DHARMALINGA MUDALIYAR
Avargal, B.A., B.L., Pleader, Sholinghur.

1.—Agricultural credit and credit facilities for small industries.

1. (a) To meet the expenses of cultivation agriculturists in these parts contract debts on promissory notes promising to repay at the time of harvest. But in the majority of cases, the ryots are unable to repay the same and in consequence they are overburdened with interest which ultimately entails in the loss of their other properties, if any. To avoid this I may suggest that the Co-operative Department may provide facilities for giving short-term loans extending for a period below six months at a fairly low interest.

(c) During the failure of monsoons the ryots are generally obliged to sell their jewels or incur loans on the security of their immovable properties at the usual rate of 1 per cent per mensem in order to pay the land assessment.

In these parts the minimum rate of interest is 1 per cent per mensem. Loans are given mostly on the security of immovable properties. There are also cases in which loans are given on pro-notes. But that depends much on the status and the capacity of the debtor to repay it promptly. There are also bankers who give loans on bills of exchange at an exorbitant rate of interest.

The ryots cannot have any dealings with that class of bankers.

As far as my little experience extends I am unable to see any help that is rendered to the agriculturists by the banks, mentioned. The agriculturists feel that none of the banks help them as their rate of interest is usually much higher than what they can afford to pay.

The land mortgage bank that was started in this place (Sholinghur) some two years ago may do some good to the landowners but in addition to that if facilities are provided for giving short-term loans at a low interest, that will immensely relieve the hardship of the ryots.

2. Paddy at 6½ measures per rupee.

Ragi at 4½ measures per rupee.

Kambu at 4½ measures per rupee.

Ordinarily during the time of scarcity of rain, ryots depend to a great extent on the mercy of the merchants. Any arrangement, such as opening depots in commercial centres to sell grain and other provisions would be beneficial to the ryots.

Merchants and traders living in these parts cannot but take heavy loans from bankers for short periods at a very high rate of interest for their capital during the season.

3. In Sholinghur the wet land under the tank costs Rs. 2,500 per acre. There are also lands whose worth range from Rs. 1,000 to Rs. 2,500. Dry lands are worth Rs. 100 to Rs. 300 per acre. Failure of monsoon for a continuous period of some years indeed affects the valuation of properties.

Generally when lands are sold for arrears of Government revenue they do not fetch the same price as in a private sale.

In court sales also the lands are sold at a much cheaper rate, sometimes even for 25 per cent of the real price.

4. There is a land mortgage bank started in Sholinghur about two years ago. Loans to the extent of Rs. 5,000 have been given till now by this bank. The difficulty in the working of the bank is that people cannot get money whenever they require. Loans are not given for some months after application is made. If this bank is made to work better people may derive much benefit out of it.

It is desirable that for the capital of the land mortgage bank there must be all the three kinds of resources, and the Government should be responsible for the debentures issued by the bank.

5. (a) In Sholinghur loans on registered mortgage deeds have been taken by the agriculturists to the extent of 4 to 5 lakhs of rupees.

(c) On the pledge of jewels there may be dealings for not less than a lakh of rupees.

Traders and other big landlords advance the abovesaid moneys.

Generally interest is charged at 3 pies per rupee on the pledge of jewels and in other cases not less than 1 per cent per mensem.

Yes.

The cultivating tenant may not have the same enthusiasm.

6. Rice pounding and weaving are some of the handicrafts in these parts.

**Written evidence of M.R.Ey. P. ANANTHACHARIYAR Avargal,
B.A., President, Town Bank, Ranipet.**

I.—Agricultural credit and credit facilities for small industries.

1. The poor ryots of the district borrow large sums of money at a high rate of interest from money-lenders and bankers. The rate ranges from 9 to 30 per cent. Some poor people who cannot command credit in the money market do not borrow at all, but cultivate their lands and pay the assessment to Government with much difficulty by mortgaging their property. Those that have no property even to mortgage and those that have little property and are unwilling to go in for loans find it very difficult to meet the expenses for purposes referred to in clauses (a), (b) & (c) of the first question. The latter class of persons thus have no chance of reaping the best harvest out of their lands.

Some money-lenders withhold a portion of the amount they advance as loan for interest for the loan and pay only the balance to the borrower. The borrower has to pay interest monthly, quarterly or annually. In some cases the lender demands another surety also. Some borrowers are unable to find out sureties to oblige them. Some willing sureties demand a portion of the amount borrowed for themselves with or without a promise to repay that amount. This course of conduct eventually ends in a dispute between the principal debtor and surety.

Some money-lenders lend money with an agreement that the money lent shall be a first charge on the produce on the land. The lender himself or his man watches the harvest and carries away all the produce for the discharge of his debt, leaving nothing to the borrower, who then cries aloud and continues to suffer from poverty. The same state of affairs is repeated in the succeeding year also. Thus, there is no salvation to the poor cultivator. Some lenders are not satisfied with the pledge of the growing crop as it is uncertain but take a pledge of other properties, such as, jewels, etc.

The Imperial Bank of India, etc., referred to in the question do not, I think, help the poor cultivator in the matter of effective cultivation of his lands. It may be said that the co-operative societies do help a little in this matter. Some borrowers take money from the co-operative societies solely for purposes of cultivation. There are many who borrow for other purposes. I think co-operative societies must be established to help the poor ryot in the matter of cultivation of his lands only. Small sums or big sums consistent with the extent of the land owned by the cultivator must be lent to him with a condition to repay them at the time of harvest. A charge on the produce for the money lent may be created by the agreement between the borrower and the co-operative society. In other words, the society must be purely an agricultural one. Merchants who deal in manures do not help in the matter of cultivation of lands. They simply sell manure for cash paid to them.

The banks, co-operative societies, etc., must be authorized to lend money to the poor ryot for the purchase of seeds, manure, etc., in the sowing season with a stipulation that the money lent shall be another charge on the land next to assessment. The Government is kind enough to lend sums of money to the suffering ryot for the permanent purpose of sinking wells or for the purpose of purchasing cattle, etc., and it recovers the amount in several instalments extending over a long period. Why not there be an Act for the purpose of lending money to the needy ryots in the sowing season for the purchase of manure, seeds, etc., with a condition of repayment at the next harvest along with the amount? The fairness of the season and other circumstances must be taken into account at the time of lending. If the season is gloomy and there be no rain the ryot does not require seed or manure and there is no necessity for the loan therefore.

The existing co-operative societies are not of much help to the cultivating ryot, because the members borrow large sums of money for purposes other than cultivation, in most cases, and some of the persons charged with the

management of such societies are not educated and carry on the work with a good deal of recklessness and selfish considerations. I know of some societies whose borrowers are only the close relations of the Secretary or President. People have to be educated and co-operation will become a perfection only thereafter. The co-operative societies, at least those in villages, must be purely agricultural societies to lend small sums of money to the cultivator in the sowing season to meet adequately his agricultural wants of the year. What is borrowed must be made repayable at the ensuing harvest. In this connection I may even state that the agricultural co-operative society and the Government must work hand in hand.

3. The value of the lands in the several parts of the district is not uniform. In some places dry lands in which dry crops are sown are valuable. They are places where there are no water facilities. In some places where there is abundant source of water-supply the wet lands are more valuable and the dry lands in such places are sold at a very low rate. In some parts the soil is rich, but there is no water. Where the soil is rich, there are not people to work. Where there is abundant supply of water, the soil is very poor. The value of lands therefore depends upon these circumstances.

In villages which are adjacent to urban areas labour is very costly and the lands in such places have not much value. In some cases lands in the hands of the working classes yield more, because they themselves do the work, whereas lands in the hands of non-working classes yield less, because they have to pay for the labour. The outturn from lands therefore is dependent upon a number of causes, and consequently the value of lands is not uniform throughout. Wet and dry lands have equal value in some parts of the district. They range from Re. 1 per cent to Rs. 12 per cent. Sometimes easy accessibility to the villages wherein the lands are situate is one of the factors that go to add to the value of lands. There are some villages which are far away from the railway line and people are not willing to go in for such lands, and consequently such lands in spite of the richness of the soil and water facilities do not attract buyers. The buyer considers the commercial aspect of the transaction also. He does not want to purchase a land whose yield cannot be sold in the nearest market.

Whatever might be the actual value of the land, it does not fetch a good price when it is sold by civil court in execution of decrees against private individuals for the simple reason that there is no warranty of title in court sales. That is to say, the court only sells the right, title and interest of the judgment-debtor, if any, and it may so turn out that the judgment-debtor has no interest in the property sold. But this is not so in all cases. In cases in which the title is good, bidders come forward and compete for the purchase. Many people do not go to courts for the purchase of land in court sales, because they do not wish to land themselves in litigation. When the purchaser proceeds to take possession of the land purchased by him in court sale he is obstructed by third parties who profess to claim interest in the land. In spite of all this the civil court does its best and sees that the largest price is procured for the benefit of the judgment-debtor. Some take the risk and purchase and some do not. The price that is got in court sales is not therefore indicative of its real value.

The same may be said of revenue sales also. The defaulter creates a number of encumbrances over the property and when he thinks that the corpus, namely, the land, is lent to him, he commits default in the payment of the revenue and allows the property to be sold for arrears of revenue. In the matter of revenue sales also the revenue authorities do not guarantee the title to the purchaser and in consequence the land is sold for a very small value. There is also the danger of the owner coming forward and objecting to the sale on the ground that the procedure prescribed by the Act was not followed and that the sale is therefore irregular. When good lands are sold for a very small value the owner seeks to set aside the sale by payment of the amount within the time prescribed by law to the Government and the purchaser. For these reasons therefore a revenue sale also does not fetch the real price of the land sold.

Such is not the case with regard to private sales. Sales are effected and the purchasers are careful enough. They apply to the Sub-Registrar and find out the several encumbrances over the property, paying the required

fee. The matter is placed before a lawyer who scrutinizes the papers and finds out if there is any defect in the title of the vendor. The prior title deeds are taken after careful examination. The vendor guarantees his title to the property and in case of breach of warranty of title the law protects the purchaser and gives him relief. When sales are made under such circumstances the vendor procures the best price for the land that is sold by him. In revenue sales a nominal price is got. In court sales at least 30 per cent of the actual value will be procured.

7. There is no real connexion between the co-operative banks and other banks referred to in this question. But the surplus funds of co-operative banks are generally deposited in the other banks referred to in this question.

When the rural co-operative societies require money for lending to its members the application by the said societies are generally made to the district co-operative central banks through the unions and it takes a very long time for the latter and the former to send the requisite amount to the societies. The result is, the needy member does not get the money in time to meet his emergency. The unions, so far as I know, serve no useful purpose in the matter. The district co-operative central bank can itself judge the soundness or otherwise of the society that wants to borrow on seeing its own account books. Unions simply prey upon the income of the societies. They do no useful work. We are unable to see what function it really does in carrying out the co-operative bank's business. The unions may be abolished and the societies may be placed under the direct control of the district co-operative central banks. It may be argued on platforms in theory that the co-operative branch must be purely a democratic institution, that is to say, it must be purely a non-official body. I do not think so. As I have said above, co-operation will attain perfection only if the members attached to it are educated. Many societies are badly managed and they run into liquidation. Members attached to co-operative societies do not repay punctually the borrowings, but commit defaults with the result that they show a large amount of liability. In order to put an end to all this, it is better therefore that there is Government control over the societies for some years at least till all people become completely educated and realize the responsibilities of co-operation.

It will not be possible to say the amount that will be required for supply of funds to the co-operative societies in the district. Everything would depend upon the proper management of the society and the education of its members. So far as I know there is no competition between co-operative banks and joint-stock banks in the district.

II.—Indigenous banking.

6. Cultivating ryots have to pay interest to the private bankers at a very high rate. Sometimes it is unconceivable. Some lenders require that the interest shall be paid in kind, which course works out a very high rate of interest. The interest ranges from 12 per cent to 30 per cent and in some cases it is even more.

This system of demanding a high rate of interest must be put an end to only by legislation. In the case of mortgages of immovable properties the rate of interest shall be 9 per cent only which is a very fair rate according to the opinion of some of the Judges of the High Court. In the case of promissory notes, simple bonds, etc., the rate of interest shall be 12 per cent. Transactions which stipulate a rate of interest above this rate should be declared invalid and unenforceable in law. It is only then that the cultivating ryot will be saved a good deal of his troubles in the matter of effective cultivation of lands and successful management of his domestic affairs. The existing Act which gives discretion to courts to cut down the excessive rate of interest is not enough and does not give the desired effect. That Act comes to the rescue of the borrower only if the matter is taken to a court of law and not otherwise. What I urge therefore is that a transaction which evidences a higher rate of interest than 9 per cent in the case of mortgages and 12 per cent in the case of pro-notes and bonds shall be declared by law to be wholly void and inoperative.

7. In this connexion it will not be out of place for me to state that in the case of illiterate persons, i.e., persons that are only marksmen, transactions entered into by them shall be made compulsorily registrable. Even a promissory note that is executed by a *marksman* for a very small sum, say, Rs. 5, should be registered. There are some money-lenders who take the thumb impression of the executants who happen to be marksmen, but such impressions are not accurately taken and they still leave the matter in doubt when scrutinized by law courts. Documents executed by a *marksman* and *not registered* should be declared void and no decree should be passed by courts on such documents. The Sub-Registrar should examine the executant (*marksman*) at the time of registration and satisfy himself that he, the executant, is aware of the nature and the terms of the transaction that he is entering into. This will check a good deal of fraud that is perpetrated upon marksmen. The registration fee in such cases shall be a very nominal one. As a lot of cases will come up for registration, the Government will not be a loser thereby.

Written evidence of M.R.Ry. T. S. VENKATARAMA AYYAR
Avargal, Secretary, Coimbatore District Urban Bank, Ltd.,
Coimbatore.

I.—Agricultural credit and credit facilities for small industries.

1. (a), (b) & (c) From professional money-lenders. For advances generally 12 per cent to 36 per cent; where jewels or crops are pledged, the rates vary from 12 per cent to 24 per cent; where land is mortgaged, rates vary from 10 per cent to 24 per cent.

No difference between short term and long term is made by the ordinary ryot. Once he borrows, the debt goes on accumulating.

In some cases loans are taken on the understanding that repayments will be made in the shape of harvested crops, at a very low rate of price.

People in the district are increasingly taking advantage of the provisions of the Land Improvement and the Agriculturists Loans Acts. The Imperial Bank of India finances only factories and grants loans on the pledge of crops in mercantile centres. The bank is reducing its clientele of agriculturists, with whom it was dealing directly before.

The joint stock banks in the district, except the local nidhis, are not doing much work. They are financing individual traders mostly.

The Nattukottai Chettis from Ramnad district and the local money-lenders have still got the bulk of the lending.

The co-operative banks are being utilised only within the last few years, and their transactions have increased considerably. There is still a very large field to be covered.

There is no co-ordination between various credit agencies. The utilisation of the co-operative agency by the Government and improved banking facilities given to the co-operative societies will greatly help agriculturists, avoid the exactions of the money-lenders and permanently help the ryot to free himself from the present position of constant indebtedness.

2. *Marketing.*—The agriculturist requires financing at the stage of sowing, weeding and harvesting and also for payment of taxes, and for his own maintenance. It is realized that his needs will be met by giving him loans (i) on his personal security or on the security of his lands, for cultivation and other expenses, and (ii) on his harvested crops which would enable him to keep the produce for some time to obtain the benefit of a better price in the market after kist season. With this view, the bank is encouraging the giving of crop loans in primary societies and the formation of loan and sale societies to give loans on the pledge of harvested produce. Loan and sale societies undertake the sale of produce on behalf of agriculturists and also arrange in the case of cotton for ginning.

Marketing is a wide field and has still to be studied and dealt with by the co-operative movement in order to be of real use in reducing the middleman's profit to a minimum and thereby to enable the ryot to get the best price for his crops.

3. Prices vary with reference to locality and the yield.

The price of dry lands varies from Rs. 5 to Rs. 500 per acre, of garden lands from Rs. 200 to Rs. 3,000 or Rs. 4,000 per acre, and of wet lands from Rs. 500 to Rs. 5,000 per acre; but on an average the dry land will be worth Rs. 50 per acre, the garden land about Rs. 500 per acre and the wet land about Rs. 1,000 per acre.

4. We have just registered and started four co-operative land mortgage banks in the district, and two of them are working.

Right of sale by an officer of the department or an honorary arbitrator should be given in the case of defaults in land mortgage debts.

The working capital of most banks has ultimately to be found necessarily from deposits; but for the present issue of debentures and help of other financing agency will be necessary. A central institution for financing and issuing debentures is necessary; and Government guarantee will be necessary at least at the beginning.

Depositors may be paid 4 per cent to 5 per cent, and debentures may be issued on the same terms as Government to any, or at the most at a slightly higher rate of interest.

The bank may lend at the rate of $7\frac{1}{2}$ per cent if they can get money at 6 per cent, or at $8\frac{1}{4}$ per cent if they have to pay 7 per cent.

5. The farmer is becoming more and more involved in debts. Lands change hands constantly and the farmers are reduced to the position of tenants or labourers. Absentee-landlordism is increasing with the result that there is no incentive for efficient farming.

7. Long-term deposits are not forthcoming. Long-term loans have to be given from the deposits, most of which are for short term.

Co-operative credit societies do not get any help from the Imperial Bank of India or joint stock companies. There is a proposal to withdraw even the overdraft credit that has been given to the movement hitherto. The Imperial Bank of India is the chief competitor with co-operative central banks for deposits, and it sometimes offers even higher rates of interest than the co-operative central banks.

The co-operative debentures should be included in the list of trustee securities.

Co-operative societies should be exempted from income-tax.

Written evidence of M.R.By. P. S. M. THEERTHAGIRI CHETTI
Avargal, Merchant, Seda Street, Tiruvannamalai.

I.—விவசாய சம்பந்தமாய்க் கடன் கிடைப்பதும் சிறிய கைத் தொழில்களுக்கு கடன் கிடைப்பதற்கான வசதிகளும்.

1. இந்த ஜில்லாவில் விவசாயிகளுக்குப் பயிர் செய்யும்போது ஏற்படும் செலவுகளுக்காகவும், நிலத்தீர்வை முதலியவைகள் கட்டும் விசேஷ செலவுகளுக்காகவும், கிராமங்களில் இருக்கும் ஸ்வல்ப முதலாளிகளிடமும், சுற்றுப் பக்கங்களில் திருவண்ணாமலை, வேலூர் போன்ற பெரிய ஊர்களிலும் உள்ள வியாபாரிகளிடமும், வட்டி வியாபாரமே உள்ளவர்களிடமும் கடன் காங்குர்கள்.

வட்டி விகிதங்கள் சாதாரணமாக வருஷம் ஒன்றுக்கு ரூபா நூற்றுக்கு ரூ. 12 வீதமும், சில நாட்டுக்கோட்டை செட்டிமார் கடைகளில் 12-க்கு மேற்பட்டும் 24 வரையிலும் வாங்கப்படுகின்றன. பொதுவாக வாங்கும் கடன்கள் இவ்வளவு காலத்தில்தான் திருப்பிக் கொடுக்கவேண்டுமென்று நிபந்தனை இருப்பதில்லை. (ஏதோ ஸ்வல்ப கேஸ்கள் தவிர), சாதாரணமாக நிலங்களும், டவுன்களில் நகைகள் முதலானதுகளும் அடமானமாக வைக்கப்பட்டு அங்கீகரிக்கப்படுகின்றன.

விவசாய சம்பந்தமாய் கிராமஸ்தர்களுக்கு கூட்டுறவு பாங்கிகள், கவர்ன்மெண்டு, சில வட்டிக் கடைக்காரர்கள் முதலியவர்கள்தான் முக்கியமாகக் கடன் கொடுக்கிறார்கள்.

2. இந்த ஜில்லாவில் அதிக பயிர்செய்து உற்பத்தியாகக்கூடியது: (1) நிலக் கடலைக்காய், (2) நெல், (3) புகையிலை, (4) எள்ளு, மற்ற சில்லரை தினுசுகள்.

கடலைக்காய் மிஷின்களில் உடைக்கப்பட்டு பருப்பாக செய்யப்பட்டு வெளி தேசங்களுக்கு ஏற்றுமதி செய்யும் இதர தேசவியாபாரிகளால் சுமார் 3 பங்கும், 3 பங்கு எண்ணை செய்வதற்காகவும் மற்றும் சில்லரை விற்பனைகளுக்காகவும் வாங்கப்படுகின்றது. நெல் அனேகமாய்ப் புழுக்கி மிஷின்களில் அரிசியாகக் குத்தப்பட்டு உள்நூர் செலவுகளுக்கு போக மற்றவைகள் சேலம் ஜில்லா, கோயம்புத்தூர் ஜில்லா, சென்னை முதலிய வெளி ஜில்லாக்களுக்கு ஏற்றுமதி செய்யப்படுகின்றது. புகையிலை வேலூர் முதலிய இடங்களில் பீடி, சுருட்டு செய்யப்பட்டு அனேக ஜில்லாக்களுக்கும், புகையிலையாகவே கொஞ்ச பாகமும் அனுப்பப்படுகின்றது. மற்ற தினுசுகள் அப்படியே உள்நூர் செலவு போக மீதி வெளியூர்களுக்கு போகின்றன.

மாகுலை கூட்டுறவு முறையில் விற்பனை செய்வது நம் தேசத்தில் முக்கியமாக கிராமங்களில் உள்ள ஜனங்களுக்கு சரியானபடி படிப்பு வாசனை வருகிற வரையிலும், இப்போது எங்குபார்த்தாலும் ஏற்பட்டிருக்கும் கஷ்டிகள் ஒழிகிற வரையிலும் சாத்தியமில்லை.

விளைபொருள்களை விற்பனை செய்வதற்காக வேண்டிய பொருள் நகரங்களில் பாங்கிகளிலிருந்தும், மூல்டாணி சேட்டுகள், நாட்டுக்கோட்டை செட்டிமார்கள், ஊர்களிலிருக்கும் பெரிய பணக்காரர்களிடத்திலிருந்தும் சப்ளை ஆகிறது.

4. இந்த ஜில்லாவில் நிலங்களை அடைமானம் வைப்பதற்கு சட்டபூர்வமாக யாதொரு தடையும் கிடையாது. இப்பக்கங்களில் நில அடமான பாங்கி முதலிய நீண்டகால கடன் கொடுக்கக்கூடிய ஸ்தாபனங்கள் இல்லை. கவர்ன்மெண்டார்தான் கிடை முதலியவைகளுக்கு காரகப் பணமாக நீண்டகாலத்திற்குப்பின் வாங்கிக்கொள்கிறார்கள்.

6. இம்மாகாணத்தில் அரிசி குத்துவது முதலிய தொழில்கள் எல்லாம் வெளிதேசங்களிலிருந்து வந்த மிஷின்களின் உதவியால் நடக்கின்றனவே தவிர கைத்தொழில் என்னும் பதத்தின் உண்மையான அர்த்தத்தின்படி ஒன்றும் நடைபெறவே இல்லை. இப்போது நடக்கும் கைத்தொழில்களால் ஏழை ஜனங்களுக்கு கையில் இருக்கும் பணம் அதிகமாக விரயமாவதும் உடம்புக்கு

சோம்பேறித்தனம் உண்டாவதும் தான். இம்மாதிரி மிஷன்கள் முதலானதுகள் இந்தேசத்தில் இறக்குமதியாகவேதான் வேலையில்லா நிண்டாட்டம் ஏற்பட்டிருக்கிறது. இதை ஒழித்த எல்லோருக்கும் வேலைகளைத் தருவதற்குத் தனியாகப் பணம் ஒதுக்கவேண்டுமென்று கைத்தொழில் விவசாயத்துக்குரிய தேசக் கமிஷனருக்கு மிஷன்கள் முதலானதுகள் வருவிப்பதை நிறுத்தி பழைய மாதிரி கைத்தொழில் அபிவிருத்தி செய்யவேண்டும்.

விவசாயிகள் பயிர்வேலை இல்லாமல் சும்மாயிருக்கும்போது தங்கள் காலங்களை வீணாக்காமல் கைராட்டினத்தால் நூல் நூறால் முதலிய அல்பமானதும் குடும்பத்திற்கும் மிகவும் முக்கியமானதமான கைத்தொழில் முதலியவைகளைச் செய்துகொண்டிருக்கலாம்.

7. எனக்கு பாங்கிகள் விஷயத்தில் அனுபவமில்லையானாலும் நான் கேள்விப்படுவது என்னவென்றால் இம்மாதிரியைப் பாங்கி முதலிய கவர்ன்மெண்டு பாங்கிகளுக்குக் கவர்ன்மெண்டார் அதிகமாகச் சராயம் செய்கிறார்களென்றும் இதர சேதேச பாங்கிகளுக்கு அம்மாதிரி உதவி புரிவதில்லை என்பதும் தான். அம்மாதிரி இல்லாமல் கவர்ன்மெண்டார் அவைகளுக்கும் வேண்டிய உதவிகள் புரிந்து அவைகளை உற்சாகப்படுத்தி விவசாயிகள் முதலிய ஏழைகளுக்கு இன்னும் அதிக உதவி செய்ய வசதிகள் செய்து கொடுக்கவேண்டும்.

கூட்டுறவு பாங்கிகள் முதலிய உண்மையாக ஏழைகளுக்காகவே பாடுபடும் ஸ்தாபனங்களுக்கு வருமானவரி, தொழில்வரி முதலியவைகள் இல்லாமல் செய்து கஷ்டவிரோதங்களில் காரியங்கள் நிறுவிடாமல் சரியான மேற்பார்வை உத்தியோகஸ்தர்களை நியமிக்கவேண்டும்.

III.—பணத்தை வட்டிக்குப்போட்டு வைக்கும் வழக்கமும் மூலதனம் சேகரிப்பதும்.

1. இந்தியாவிலுள்ள ஜனங்கள் பொன்னிலும் வெள்ளியிலும், தங்கள் பணத்தை போட்டுவைப்பதனால் சில சமயங்களில் ஏழைகளுக்கு அவசரகாலங்களில் உபயோகப்படுகின்றன. அவைகளே தங்களிடத்திலேயே சேமித்துவைக்கும் டிபாசிட்கள் ஆகின்றன. அதற்கு மேல்கொண்டு வட்டி பெறாமல் வட்டி நஷ்டமானாலும்கூட இது ஒரு பொருத்தமான நினைக்கிறார்கள். அதிலும் இப்போது பெரிய நகரங்களில் பெருத்த வியாபாரம் செய்து நஷ்டங்கள் வரும் சமயங்களில் இந்த பொன் வெள்ளி தங்களுக்கு இருப்பதாக இருந்து விடுகிறது.

2. பாமர ஜனங்கள் போஸ்டாபிஸ், ரொக்க சர்ட்டிபிகேட்டுகளை அதிகமாக ஆதரிக்காமலிருப்பதற்கு காரணங்கள் இரண்டு: (1) வட்டி ஸ்வரூபம் (2) அதுனுடைய விஷயம், கல்வியின்மையினால், தெரிந்து கொள்ளாமலிருத்தல்தான்.

(Translation.)

I.—Agricultural credit and credit facilities for small industries.

1. The agriculturists of this district obtain loans from small capitalists in the villages and from merchants and professional money-lenders in the neighbouring big towns like Tiruvannamalai and Vellore, for meeting the expenses of cultivation and for other special items of expenditure such as the payment of land revenue, etc.

The rate of interest generally charged is 12 per cent per annum, while that charged by some Nattukottai Chetti firms varies from 12 to 24 per cent per annum. Except in a few cases there is generally no condition regarding the repayment of the loan within a prescribed time. Ordinarily lands and jewels, etc., in towns are offered and accepted as security.

It is only co-operative banks, Government, some money-lenders and others that chiefly give loans to villages for agricultural purposes.

2. The crops that are largely grown in this district are (1) ground-nut, (2) paddy, (3) tobacco and (4) gingelly and other minor varieties.

About three-fourths of the quantity of groundnut grown are purchased by foreign merchants, who decorticate the same by means of machines and export the kernel to other countries, and the remaining one-fourth is purchased for extracting oil therefrom and for retail sales. Paddy is mostly boiled and converted into rice in the mills and the portion that remains after what is required for local consumption is sent to other districts such as Salem, Coimbatore and Madras. Beedis and cigars are manufactured from tobacco in Vellore and other places and sent to many districts. A small portion of tobacco is also sent in a raw state. As regards the other products, what remains out of them after retaining the quantity required for local consumption, is sent as it is to other places.

It is not possible to sell the produce on co-operative lines, until the people of our country, especially in the villages, become literate and until the factions which are now found everywhere cease to exist.

The finance required for marketing products is supplied by the banks in towns, Multani Suits, Nattukottai Chettis and wealthy persons in towns.

4. There is no legal impediment to mortgage of land in this district. In these parts, there are no institutions like the land mortgage bank which can provide long-term credit. It is only the Government that grant loans for sinking wells, etc., and recover the same after a long period.

6. All the industries such as rice-milling are carried on in this province with the help of the machinery imported from foreign countries but none of them is carried on in consonance with the real significance of the term 'industry'. The industries, which are now being carried on, result in the money which the poor people have in their hands being wasted largely and laziness caused among them. The import of such machinery, etc., into this country is indeed responsible for the present unemployment trouble. If this is to be got rid of and if all should secure work and live comfortably, the import of machinery and other things, from foreign countries for industries and agriculture should be stopped and industries should be developed as in ancient times.

During seasons when agriculturists have no cultivation work and are keeping quiet, they can, instead of wasting their time, engage themselves in industries, like the spinning of yarn by means of the spinning wheel, which are small and very essential for the family.

7. I have no experience in respect of banks. But what I hear is that the Government lend great support to Government banks like the Imperial Bank and that they do not render such assistance to indigenous banks. Instead of this, the Government should render the necessary assistance even to the indigenous banks, encourage them and afford them the necessary facilities for rendering greater help to agriculturists and other poor persons.

Co-operative banks and other institutions, which really strive for the welfare of the poor, should be exempted from the payment of income-tax, profession-tax, etc., and proper supervising officers appointed so that there may be no interruption to business on account of factions.

III.—Investment habit and attraction of capital.

1. As the people of India invest their money in gold and silver, the latter are at times useful to poor persons in times of emergency. They constitute the savings deposited with themselves. Though the money so invested does not earn any interest and the people lose the interest thereon, they deem it to be a treasure. Further, whenever persons doing business on a large scale in big towns sustain losses, this gold and silver remain with them as their estate.

2. There are two reasons for Postal Cash Certificates not being very popular among the masses. They are (1) the low rate of interest and (2) the want of education on the part of the people to understand what these certificates are.

**Written evidence of M.R.Ry. V. R. VISWATHA APPAR Avargal,
Sri Sampathgiri Industrial Mills, Polur.**

I.-விவசாய சம்பந்தமாய்க் கடன் கிடைப்பதும், சிறிய கைத்தொழில்களுக்கு கடன் கிடைப்பதற்கான வசதிகளும்.

1. நூற்றுக்கு 90-பாகம் ஜனங்கள் நாட்டுக்கோட்டை வேலாத்தேவி கடைகளில் இருந்து மாதம் 1-க்கு 100-க்கு வட்டி 2 முதல் 3 ரூபாய் வரைக்கும் அதிக வட்டிக்கு நபர்பொறுப்பின் பேரில் கடன் வாங்கிவருகிறார்கள்.

கோவாப்பேடியில் பாங்குகளும் இதர சர்க்கார் பொதுநன்மை கூட்டுறவு சங்கங்களும் கொடுக்கும் பணமானது பாமர ஜனங்கள் 100 க்கு 95-வரை பலன் அடைவதில்லை.

இந்த ஜில்லாவின் பயிரிடும் ஏழை ஜனங்களின் முறிந்த நிலைமையை கொஞ்சமாவது ஆற்றுவதற்கு சுமார் 50-லக்கும் ரூபாயாவது தேவை.

ஷே துகையை பயிரிடும் ஜனங்களுக்கும்பட்டும் பருவகாலத்தில் சொல்ப வட்டிக்கு கொடுத்தும் மாகூலை சரியான லாபத்திற்கு கூட்டுறவு சங்கங்களின் மூலமாய் விற்பும் அதிக வட்டியுள்ள தாங்கமுடியாத பெரும் கடன்களில் இருந்து நீக்கியும் குறுகிய கால கடன் சாகுபடிக்கும் நீடித்த காலகடன் பெரும் கடன் நீக்குவதற்கும் உதவி செய்து நமது ஏழை ஜனங்களின் கஷ்டமான நிலைமையை நீக்கவேண்டும்.

கவான்மென்ட் உள்பட ஜனங்களுக்கு கடன் கொடுத்தும் பற்பல ஸ்தாபனங்கள் அனைத்தும் இப்போது அனுஷ்டித்துவரும் முறைப்படி.

மொத்த ஜனங்களின் கணக்கிற்கு 100-க்கு ஒருவருக்குக்கூட எட்டேருவதில்லை. இதற்கு காரணம் பயிரிடும் பாமர ஜனங்களின் கல்வஞராவும் அவர்களுக்கு காலாகாலத்தில் வேண்டும்போது பணம் கிடைக்காததும் மனு செய்து கொண்டு சுமார் 6 மாத காலம் வரை அவர்கள் கைக்கு பணம் கிடைக்காத தினாலும் மொத்த ஜனங்களின் பெருங் கடனுக்கு தக்காளம் கிடைக்கக்கூடிய பணமானது ரொம்பவும் சொல்ப விசிதமாய் இருப்பதாலும் 2, 3 நூற்றாண்டுகளாக அதிக வட்டி கடன்களில் தலைமுறை தலைமுறையாய் சிக்கிக்கொண்டு இருக்கும். ஆகவே குடும்பங்களுக்கு மிகவும் பெரிதான ஒரு இயக்கமும் முத்தல் உள்ள பாங்குகளும் தியாக புத்தியுள்ள மஹான்கள் அவைகளின் டைரெக்டர்களாக ஏற்பட்டாவது அல்லது தேர்ந்து எடுத்தாவது, ஏற்பட்டால் தான் ஒருவாறாக நமது தேசத்தின் பயிரிடும் ஏழை மக்களின் பெருங்கடனை குறைக்க முடியும்.

2. என்னுடைய ஜில்லாவில் விளையும் தண்ணியங்கலையும், பொருள்களையும் விசேஷமாய் வறுமையின் கொடுமையால் பெரும்பான்மையோர் பொருள்கள் சரியான விலைக்கு விற்கும் காலம் வரை பொறுத்துவிற்காமலும் கடன்காரர்களின் உபத்திரவத்தாலும் வரப்போகும் மாகூலை களத்திலேயே இழந்துவிட நேரிடுகிறது.

என் ஜில்லாவில் கூட்டுறவு விற்பனை சங்கங்கள் அபூர்வமாய் ஒன்று, இரண்டு பிறத்தும் உடனே பல காரணங்களினால் மறைந்துபோய்விட்டன. கூட்டுறவு விற்பனை சங்கங்கள் என்பதே கேழ்வி சொல்போல் ஆய்விட்டது.

எங்கள் ஜில்லாவில் விளையும் முக்கியமான பொருள்களில் ஒன்றாகிய கடலைக்காய் ஆங்காங்கு கிராமங்களில் சில்லறை தரகு வியாபாரிக்கு விற்பனை ஆய் அனேகம் மத்திய தரகர்கள் லாபம் வைத்து ரயத்துகளுக்கு கிடைக்கும் மாஞ்சுகளின் உண்மையான வரும்படியை அட்டைபோல ஷே தரகர்கள் உரிஞ்சுவிடுகிறார்கள்.

மொத்தத்தில் உள்நாடு, வெளிநாடு வியாபாரங்களுக்கு சர்க்காரால் ஏற்பட்ட அல்லது பொது ஸ்தாபங்களினால் ஏற்பட்ட வசதிகள் மிகவும் சொல்பம். வியாபாரத்திற்கே ஆதரவற்று அகிரஷ்டம் புத்தி, இரண்டும் மத்தியில் தமொடி திற்கின்றன.

ரயத்துகளின் நன்மைக்காக வர்த்தகர்களும், வியாபாரிகளும், பாங்கர்களும் தம் தம் வட்டி லாபமோ வியாபார லாபமோ உத்தேசித்து தமொடும் ரயத்துகளை உட்காரவைத்து விடுகிறார்கள்.

சில செல்வர்களுள்ள மெம்பர்களுக்குத் தவிர யாதொரு வசதியும் பெரும் பான்மையோருக்குக் கிடையாது.

சர்க்காரால் அங்கீகரிக்கப்பட்ட சில சங்கங்களுக்கு சர்க்கார் பணம் அனுப்பும் விஷயத்திலும் உதவி செய்வது மாதிரி சொல்ப தொகைக்குக்கூட பணம் வசூல் செய்வதிலும் செலுத்துவதிலும் உதவி செய்யும் இன்னும் பிரசாரர்களை ஜாஸ்தியாய் ஏற்படுத்தி ஐக்கிய உணர்ச்சியை பரவச் செய்ய வேண்டும்.

சைமார்றாக பாமர ரயத்துகளுக்கு பணம் கிடைப்பதில்லை என்றே சொல் வேண்டும். அப்படிச் சிடைத்தாலும் அவர்கள் வட்டியில் முழுகிவிடுகிறார்கள்.

பில்களை தற்காலம் வசூலிக்கப்படும் கட்டணத்துக்கு பாதி யாகவாவது குறைத்தால் நலமாய் இருக்கும்.

எங்கள் ஜில்லாவில் விசேஷமாய் பாங்கர்கள் மூலம் சர்க்கார் உண்டியல் ஸ்டாம்பு மீது வியாபாரிகள் ஜாயிண்டாகவோ தனியாகவோ கையொப்பம் போட்டு உண்டியல்களை மேற்படி பாங்கர்களிடம் தன்னுணையப் பொருப்பில் மாற்றிக்கொள்ளுகிறார்கள்.

பொதுவாக இப்போது கையாண்டுவரும் உண்டியல் முறையில் குறிப்பிட்ட குறுகிய காலத்திற்குள் வாயிதா தேதியில் பணத்தை செலுத்திவிட்டும் உடனே மறுபடியும் அனுவசியமாய் மறுமுறை உண்டியல் கட்டணம் செலுத்தி புதிய உண்டியல் ஏழுகிக் கொடுப்பதினால் ஜனங்கள் வீண் உண்டியலுக்குண்டான கட்டண நஷ்டத்தை திரும்பத் திரும்ப அடிக்கடி அடைய நேரிடுகிறது. காரணம் கவர்ன்மெண்டார் இந்த உண்டியல் கட்டண நஷ்டத்தை ஜனங்கள் அடிக்கடி அடையாதபடி இந்த ஆக்ஷத திருத்தவேண்டும். எவ்வளவு தொகை வாங்கியபோதிலும் ஸ்டாம்பு ட்யூட்டி 4 அணுவுக்கு உள்ளாகவே அடக்கி ஏற்படுத்தினால் மிகவும் நலமாய் இருக்கும்.

ஜனங்கள் பாங்கர்களுக்கு ஏழுகிக்கொடுக்கும் உண்டியல்களாவது, எங்கள் ஜில்லாவின் சர்க்கார் பாங்காகிய இம்பீரியல் பாங்கிலும் சில சமயங்களில் மாகாண பாங்குகளிலும் சில சமயத்தில் வட இந்தியாவிலுள்ள பாங்கர்களிடத்திலும் உண்டியல்கள் மாற்றப்படுகின்றன.

ரயில்வே ரகீது பொருப்பின் மீது விசேஷமாய் வியாபாரம் நடந்துவருகின்றன.

கஷ்டமில்லை.

தெரியாது.

தெரியாது.

3. எங்கள் ஜில்லாவில் நெல் சாகுபடியாகும் இருபோக நஞ்சை திலங்களின் விலை சுமார் ஏக்கர் ஒன்றுக்கு ரூ. 1,000 முதல் 1,500 வரையில், ஒருபோகம் சாகுபடியாகும் நஞ்சை திலங்களின் விலை சுமார் ரூ. 800 முதல் 1,000 வரைக்கும். கிணற்று ஆகரவு பெற்று புஞ்சை பூமியில் நஞ்சை, மற்றப்படி கேழ்வரகு, தோட்டக்கால் பயிர்கள் விளையக்கூடிய பூமிமதிப்பு ஏக்கர் ஒன்றுக்கு சுமார் ரூ. 700. புஞ்சை பயிர்கள் மட்டில் விளையக்கூடிய திலங்கள் சுமார் ஏக்கர் ஒன்றுக்கு ரூ. 50 முதல் 200 வரையில்.

திலங்களின் மதிப்பு குறைவதற்குக் காரணம் : குடிபிரியமற்று தம் நாட்டு ஜனங்கள் வெளிநேதம் குடியேறுவதாலும் குடிபரப்பு குறைவினால் கூலி ஜாஸ்தி ஏற்பட்டு விவசாய தொழிலில் லாபக்குறைவு ஏற்படுகிறதாலும்,

(2) நம்நாட்டுக் கால்தடை வெளிநாடுகளுக்கு ஏற்றுமதியாவதினாலும் வியாதிகளினாலும் மேய்ச்சல்சர்க்கர்கள் குறைவுகளினாலும் வருஷாவருஷம் கால்தடைகள் கூணித்து விலை உயர்ந்துவிடுவதனாலும்,

(3) அநேக வருஷங்களாய் பூயியானது தழை, எந், செய்தேர்த்தி அற்று பட்டாதாரர்களுக்கும் பயிரிடும் குடியானவருக்கும் மத்தியில் மாற்ருந்தாய் மக்கள் போல் விளைவுகூன்றி மாகூல் கொம்பவும் குறைந்தபோன தினாலும் பூயியின் விலை மதிப்பு குறைந்தபோய்விட்டது.

சர்க்கார் தீர்வைக்காக ஏலம் போடப்படும்போது சுமார் ரூ. 1,000 பொறும்படியான ஒரு ஏக்கர் பூயியானது ரூ. 400 முதல் 500 வரையிலும்,

கோர்ட்டாரால் ஏலம் போடப்படும்போது அதே சொத்த சுமார் ரூ. 300 முதல் 400 வரையிலும்,

சாதாரணமாய் விற்கும்போது ஏறக்குறைய திஜமதிப்பு ஒட்டியும் விற்பனையாகிறது.

4. எங்கள் ஜில்லாவில் நில அடமானம் செய்வதற்கு சட்டத்தில் யாதொரு இடையூறும் இல்லை. விவசாய பாங்குகள் எங்கள் ஜில்லாவில் கிடையாது.

எங்கள் ஜில்லாவில் நில அடமான பாங்குகளும் ஆங்காங்கு பிரசாரம் செய்த ஷேர்கள் சேர்த்து விமிடெட் பாங்குகள் ஏற்படுத்தி பெரும் கடன்களிலிருந்து ரயத்துகளை நிவர்த்திப்பதற்காக சர்க்கார் மேற்படி ஜாயின்டு ஸ்டாக் பாங்குகளுக்கு ஏற்பட்டிருக்கும் மூலதனத்தில் சமப்பங்கு கூட சேர்த்து பண்டு ஏற்படுத்தி 7½% வட்டிக்குள் ரயத்துகளுக்கு நீண்டகாலக் கடன் கொடுத்து கடன்களை நிவர்த்தித்து ரயத்துகள் முன்னேற்றம் அடையுமாறு செய்யவேண்டும். மேற்படி விமிடெட் பாங்குகள் சர்க்காரின் ஜாக்கிரதையான போஷணையிலும் பரிசோதனையினிடும் இருந்துவரவேண்டும்.

மற்ற கேள்விகள் விளங்கவில்லை.

5. இந்தக் கேள்வியில் அடங்கியிருக்கும் சங்கியானது உத்தேசமாய் தெரிவிக்கமுடியாமல் இருக்கிறது. திஜமான கணக்கு ஏற்படவேண்டுமானால், மாதிரிக்காக 1, 2 ஜில்லாக்களில் சில நிராமங்களில் தனி உத்தியோகஸ்தர் ஏற்படுத்தி கணக்கு எடுத்தாலன்றி உத்தேசமாய்க்கூட ஏற்படாது.

ஜனங்கள் பெரும்பான்மையோர் வரவு செலவு கணக்கு வைக்காமையினாலும் வரும்படிக்கு மீறி செலவிட நேரிடுகிறது. பெரும்பான்மையோருக்கு சராசரி ஆஸ்தியானது அவர்கள் ஜீவனத்திற்கே போதாது. இது காரணம் பற்றி ஜனங்கள் கல்வி அபிவிருத்திக்கும் இதர சடங்கு விசேஷங்களுக்கும் செலவழிக்கும் பணமானது குடும்பங்களை கடனாக்கி தொத்து நோய்போல் பற்றுக்கிறது. இது நம் தேசம் முழுவதும் எங்கும் காணக்கூடிய காக்கி.

தனி உத்தியோகஸ்தர்கள் ஏற்படுத்தி ஆங்காங்கு விசாரணை நடத்தினாலொழிய கணக்கு ஏற்படாது.

விசேஷமாய் நாட்டுக்கோட்டை லேவாதேவி பாங்குகளை அதிக வட்டியாக முன்னாடியே வட்டியை அசலில் எடுத்துக்கொண்டு, மீதி தொகையை தவணைகிணத்தில் செலுத்தாதபட்சத்தில் அபராத வட்டி வசூல் செய்தும் சிலில் கோர்ட்டில் அதிகமான ஸ்டாம்பு டியூட்டி செலுத்தி சொல்ப காலத்திற்குள் வாங்கின கடனுக்கு இரட்டிப்பு சமத்தி நாஷ்டப்படுத்திவிடுகிறார்கள்.

ஆம்.

உத்தராகம் இல்லாமல்போய்விடும்.

6. எங்கள் ஜில்லாவில் விவசாயிகள் விடுதி நேரங்களில் கையாண்டுவர கைத்தொழில்கள் இல்லை.

இல்லை.

விவசாயி விடுதி நேரங்களில் கோரை, சணப்பு முதலிய வஸ்துக்களைக் கொண்டு பாய்களாக நெய்வதும் சக்குத்தாட்டுகளாக நெய்வதும் மூங்கில் சாமான்கள் செய்வதும் தென்னையிலிருந்து கேரள நாட்டில் செய்யும் அநேக வித கருவிகளை அங்கங்கே செய்யும்படி ஏற்பாடு செய்தல்.

மேற்படி தொழில்களுக்கு சர்க்கார் பிரயத்தனப்பட்டு எங்கும் காக்கி சாலை ஏற்படுத்தி வழிகாட்டவேண்டும்.

சர்க்கார் அலுவல்போது செம்மையாய் கைவாண்டுவரும் தொழிலாளிகளுக்கு உற்சாகப்படுத்தும்படியாக பரிசுகளும் அலுவலகத்தை விருத்திக்குக் கொண்டுவரும்பொருட்டு தனி சிப்பந்திகளையும் ஏற்படுத்தி கிராண்டுகள் மூலமாக உதவி செய்யவேண்டும்.

மேலே இதில் குறிப்பிட்டிருக்கும் கைத்தொழிலானது ரொம்பவும் கர்னூடகமாகவும் தற்கால சாஸ்திர ஆராய்ச்சி துறைகளின் ஆதரவுமின்றி இருத்தவருகின்றன.

7. கூட்டுறவு சங்கங்களும் இம்மீரியல் பாங்குகளும் விவசாயிகளுக்கு விசேஷமாய் பிரயோஜனப்படுகிறதில்லை.

கூட்டுறவு சங்கங்களில் குறுகிய காலக் கடன் சரியாய் கிடைப்பதில்லை. சென்ற 20-வருடங்களாக இவ்வியக்கத்தில் நாணய மெம்பர்கள் குறைவுபட்டு கெடுவு கடந்து கடன்களும் தொகை பெருகி, சென்ட்ரல் பாங்க் டிபூஸ் காலாகாலத்தில் செலுத்தப்படாமல் சங்கங்களுக்கு கடன் பிறக்காமல் சங்கங்கள் வேலை செய்யாமல் தின்றுவிடுகின்றன.

இந்தவிஷயத்தை எங்கள் ஜில்லா பார்வையிடும் கோவாபரோடில் டெப்யூடி ரெஜிஸ்ட்ரார் தான் சொல்ல உரிமையுள்ளவர்.

இல்லை.

இல்லை.

எங்கள் ஜில்லாவில் அநேக வருடகாலமாய் இந்தக் கூட்டுறவு இயக்கத்தை உண்டாக்கியும் இயக்கத்தையொத்த அர்பன் பாங்க், சேஸ் சொசைடி, விறகு சொசைடி போன்ற அநேக சொசைடிகளை வளர்த்தும் தங்கள் பார்வையில் ஜாக்கிரதையாய் கவனித்து குற்றமற்ற நிலைபெற்று வரும் சங்கங்களில் முதன்மையான திருவண்ணாமலை போன்ற உண்மையான யூனியன்களுக்கு இந்த உபகாரம் செய்யலாம்.

II.—கதேச லேவாதேவி வியாபாரம்.

1. எங்கள் ஜில்லாவிலிருக்கும் பாங்குகளும் பாங்கர்களும் விசேஷமாக வர்த்தகர்களுக்கு சலுகை காட்டுகிறார்களே தவிர விவசாயிகளுக்குப் பிரயோஜனப்படுகிறதில்லை.

2. அதிக வட்டிக்குப்பணம் கிடைக்காததே தவிர சொல்பவட்டிச்சுபணம் கிடைப்பது கிடையாது.

3. என் ஜில்லாவில் கிராமங்களிலிருக்கும் லேவாதேவிக்கடை பெரிய டவுன்களிலிருக்கும் வியாபாரிகளிலிருந்தும் இந்தியன் இம்மீரியல் பாங்கிலிருந்தும் சொல்ப வட்டிக்கு பணம் வாங்கி கிராமங்களில் அதிக வட்டிக்குக் கொடுத்து கிராமங்களை கடினதன்மையால் செய்கிறார்கள்.

4. இதில் கேட்டிருக்கும் முறைகள் அனைத்தும் வியாபாரிகளுக்குமட்டுமே பிரயோஜனமுள்ளவை.

5. வினங்கவில்லை.

6. 12% முதல் 25% வரையில் இப்போது வட்டி செலுத்தி வருகிறார்கள்.

A. சர்க்காரின் ஆதரவின்பேரில் சட்டம் மசோதா மூல்யமாய் இம்மீரியல் பாங்கு நடப்பு வட்டிப்பிரகாரமே விவசாயிகள் கடன்களுக்குக் கட்டுப்படுகிறார்கள் என்று இருக்கவேண்டும்.

B. சொல்ப வட்டிக்குப் பணம் கிடைத்தால் அதனால் விவசாயிகள் விசேஷ நன்மை அடைவார்கள், கிராமங்கள் கிடைக்கப்படும்.

7. இல்லை.

இல்லை.

கடும். அவை எப்படி. யென்றால் சர்க்கார் பணங்களை இம்மீரியல் பாங்கில் போடுவதைப்போல சுதேசி பாங்குகளிலும், தங்களுடைய பணத்தை டிபாசிட் செய்தும் சர்க்கார் பரிசோதனையின் கீழும் முன்னுக்குக்கொண்டுவரலாம்.

தடத்துகிறார்கள்.

குறைகள் ஒன்றுமில்லை. ஆனால் ஒவ்வொரு சுதேசபாங்குகளுக்கும் கவர்ன்மெண்டு மேல்பார்வை தேவை.

8. நம் இந்திய தேசத்தில் பாங்கிங் சிஸ்டம் சம்பந்தப்பட்ட கல்வியானது ரொம்பவும் குறைவாய் இருப்பதினால் பாங்கிங் வியாபார சம்மந்தமான கலாசாலைகள் ஏற்படுத்தி வியாபார முறையில் அநேக தீபுணர்களை தயார்செய்து ஆங்காங்கு வியாபாரமுறை சூட்சம், நெளிவு கணுவகளை சில்லரை வியாபாரிகளுக்குக் கூட உள்நாடு வெளிநாடு வியாபாரத்தின் ரகஸ்யங்களை தெரியுமாறு வியாபார இயக்கத்தை பலப்படுத்தி பிரசாரம் செய்வது நலம்.

9. தனித்தனியே சுதேச பாங்குகள் விசாரணை செய்தால் சராசரி நஷ்ட லாபம் ஏற்படும்.

10. சுதேச பாங்குகளிடத்தில் போதுமான மூலதனம் கிடையாது. ஆனால் அவர்கள் சொத்தின் மதிப்புள்ளவர்களுக்குக்கூட தங்களிடம் மூலதனம் விசேஷமாய் இல்லாத காரணத்தினால் வெளி பெரிய பாங்குகளிடத்திலிருந்து சொல்பவட்டிசுக்குப் பணம் கொண்டு வந்து அதிக வட்டிக்குக்கொடுத்து கடனை தீர்த்துவிடுகிறார்கள்.

11. மாகாண பாங்குகளும் மத்திய ஸ்தாபன பாங்குகளும் இதர தேசிய சில்லரை பாங்குகளுக்கு பணம் கொடுக்கும்போது அவைகள் ஜனங்களுக்கு சொல்ப லாபம்வைத்து கிராமங்களுக்கு கொடுக்குமாறு திபுத்தனைகள் ஏற்படுத்தி கடன்கொடுத்தால் கிராமவாசிகள் சேஷமமடைவார்கள்.

செய்யலாம்.

சுதேச பாங்குகளுடன் ஒத்துழைப்பதாலும் ஆங்காங்கு கிளைகள் ஏற்படும் கிராமங்களில் உள்ளூர் வியாபகர்களாய் இருப்பவர்கள் சிலர் சேர்ந்து அக்கிளைகளின் அட்டவைசரி கம்மிடிமெம்பர்களாக ஏற்பட்டு நல்ல யோஜனை சொல்லி பாங்கு தீர்வாகத்திற்கு உதவிசெய்யக்கூடும்.

12. இல்லை.

சாதாரணமாய் ஜில்லாக்களில் விமிடெட் பாங்குகளும் அர்பன் பாங்குகளும் ரொம்பவும் சொல்பம். சாதாரண சிறிய டவுன்களில்கூட நாலுக்காவது அல்லது 1, 2 நாலுக்காக்களுக்காவது அர்பன் பாங்குபோன்ற பொது ஜன பாங்குகள் ஏற்பட்டால் ஜில்லாக்களிலேயே சுமந்தபணம் தங்கி அந்தந்த ஜில்லாக்களுக்கு அதிக லாபத்தை தரக்கூடும்.

III.-- பணத்தை வட்டிக்குப்போட்டுவைக்கும் வழக்கமும் மூலதனம் சேகரிப்பதும்.

1. இந்த ஜில்லாவில் வெள்ளி ரூபாய்களும் நோட்டுகளும் திரவிய சாதனங்களாய் இருக்கின்றன. திபுணர்களைக்கொண்டே தொகையை திரீணியிக்கவேண்டும்.

மிகுதியிருக்கும் பணத்தை சொல்ப தொகை போஸ்டாபீஸ் சேவிங்ஸ் பாங்குகளிலும் பெருந்தொகைகளை தேசிய ஐக்கிய நாணய பாங்குகளிலும் போட்டவைக்கிறார்கள். பணத்தை கரண்டு டிபாசிட்டில் போட்டவைக்க ஜில்லாக்களில் போதுமான நம்பகம் பிடிமான பாங்குகள் இல்லை.

அர்பன் பாங்கு, விமிடெட் பாங்குகளை அவைகளின் கிளைகளையும் சின்ன டவுன்களில்கூட ஏற்படுத்தி நம்பகம் வருமாறு ஒழுங்காக நடத்தினால் விருத்திசெய்யலாம்.

இந்தியாவில் பொன்னிலும் வெள்ளியிலும் பணம் அடங்கி இருப்பது சகஜம். இதற்குக் காரணம் அநேக வருடங்களாய் தேசத்தில் உள்ள தரித் திரதாசியினால் ஜனங்கள் ஆபத்துக்களை உத்தேசித்தும் வயோதிகத்தை உத்தேசித்தும் ரக்ஷாதனமாக வைத்து வருகிறார்கள். மேல்படி நகைகளும் வெள்ளியும் நாணயமாய் இருந்தால் உபரி தேசத்தின் செல்வம் விருத்தியாகும் பென்று இருந்தாலும் ஜனங்களுக்கு நம்பகம் ஏற்படும்படி சால்வதமான பாங்குகளும் உள் நாட்டிலேயே அவர்கள் உலகச் செல்வம் திற்கும் என்னும் நம்பிக்கை ஏற்படாததுதான் காரணம்.

2. எங்கள் ஜில்லாவில் போஸ்டாபீஸ் சர்ட்டிபிகேட்டுகள் ஆதரிப்பவர்கள் மிகவும் சொல்பம். அதற்குக்காரணம் ஜனங்கள் ஏழ்மைநிலமையும் குறைந்த வட்டியும் தான். அனுபோகஸ்தரால் மசோதா செய்துகொள்ளலாம். சொல்ப வரும்படியுள்ள ஜனங்களுக்கு வாரத்தில் ஒருமுறைதான் பணம் எடுக்கமுடியும் என்கிற நிபந்தனை கொஞ்சம் கஷ்டமாகத்தான் இருக்கிறது. வாரத்தில் இருமுறையாவது பணம் வாங்கக்கூடிய சௌகரியம் இருந்தால் சொல்ப வரும்படியுள்ள ஏகீழ் ஜனங்களுக்கு சௌகரியமாய் இருக்கும். சர்க்கார் உத்தியோகஸ்தர்களும் கம்பெனிகளில் வேலைசெய்யும் மாத சிப்பந்திகளும் சேவிங்ஸ் பாங்கில் போடுகிறார்கள்.

செய்யக்கூடும்.

ஜனங்கள் ட்ராஜரி பில்லையும் போஸ்டாபீஸ் ரொக்க சர்ட்டிபிகேட்டுகளையும் பாங்கிகளுடன் போட்டி போடுவதாக நினைக்கவில்லை.

3. விளங்கவில்லை.

4. அனுபோகமில்லை.

5. ஆமாம். வியாபாரக் கல்வியும் பாங்கிங் கல்வியும் இந்த தேசத்தில் ரொம்பவும் குறைவு. அதேக வருடங்களாய் ஜனங்கள் கேவலம் தெய்வபக்தியாலும் படிப்பு இல்லாததாலும் கடும்தரித்தரத்தினாலும் வியாபாரம் செல்வம் அபிவிருத்திக்கு ஊக்கம் இழந்திருக்கிறார்கள்.

கார்ப்பொரேஷன்கள் முனிசிபாலிட்டிகள் தீர்ப்பாசன ஸ்கீம்கள் இதுபோன்ற லாபம் அளிக்கக்கூடிய பெரிய பொது நன்மை காரியங்களில் அவ்வப்போது கவர்ன்மெண்டார் துண்டுப் பத்திரிகை மூலமாயும் சர்க்கார் உத்தியோகஸ்தர் மூலமாயும், ஜனங்களுக்குப் ப்ரசாரம் செய்தும், லாபகரமில்லாத ஸ்கீம்களில் பணம் போடவிடாதபடி ஜனங்களை எச்சரித்தும் கிராமசெல்வங்களை வருப்படி தரக்கூடிய வழியில் திருப்பமுடியும்.

சில பெரிய பாங்கர்கள் தவிர சிலவரை வியாபாரிகளுக்காவது விவசாயிகளுக்காவது இம்ப்ரியல் பாங்கிங் கிள்களினால் பிரயோஜனமில்லை. எப்போதும் சாதாரண விவசாயிகளாவது சின்ன வியாபாரிகளாவது சாதாரணமான தொகைகளை பாங்குகளிலாவது அதன் கிளைகளிலாவது சுரண்டு டிபாசிட்டில் வைத்துக்கொள்ளும்படி கோரினால்கூட மேல்படி பாங்கார் மறுத்துவிடுகிறார்கள். இச்சிறு உதவிகூட செய்ய மறுக்கும் பாங்கார் பெரும்பான்மையான ஜனங்களுக்கும் அதேக சின்ன வியாபாரிகளுக்கும் என்ன உதவி செய்யக்கூடும்!

(Translation.)

1.—Agricultural credit and credit facilities for small industries.

1. Ninety per cent of the people obtain loans from Nattukottai Chetti firms on personal security at a high rate of interest ranging from two to three per cent per mensem.

Ninety-five per cent of the masses derive no benefit from the money given by co-operative banks, Government and public welfare and co-operative societies.

A sum of about 50 lakhs of rupees is necessary for ameliorating, at least to a small extent, the impoverished condition of the poor agriculturists of this district.

The miserable condition of our poor people should be got rid of by granting loans from this amount to agriculturists alone at the proper season at a low rate of interest, by selling their produce through co-operative societies at a profitable price and by helping them with long-term loans for repaying unbearably big loans carrying a high rate of interest and with short-term loans for purposes of cultivation.

Under the system now followed by the various institutions including Government, which lend money to the people, not even 1 per cent of the total population is benefited. The want of education on the part of the ignorant people who cultivate lands and the non-availability of funds to them at the proper time are responsible for this. It is only if

a very big movement is started to save the many families of agriculturists which have been immersed, for generations during the last two or three centuries, in debt carrying a high rate of interest on account of their not getting money until about six months after the submission of an application for the same and on account of the money available at present constituting a very small proportion to the large amount of debt contracted by all the people and if banks with a very large capital are established and liberal-minded persons are either appointed or elected as directors thereof, that it will be possible to reduce, in a way, the heavy debts incurred by the poor agriculturists of our country.

2. On account of poverty and the worry caused by creditors, the majority of agriculturists do not wait to sell the grains and other products grown in our district till the time when they can fetch a proper price and are mostly obliged to part with the expected outturn on the threshing floor itself.

Only one or two co-operative sale societies made their appearance in our district but disappeared soon for several reasons. These societies have now become a thing of the past.

Groundnut, which is one of the principal products of our district, is sold in several villages to petty commission agents; and several middlemen sell it at a profit and, like the leech, deprive the ryots of the actual income which they can get from their produce.

The facilities afforded by Government or public institutions for internal and external trade are on the whole very low. Trade itself is in a helpless condition and is oscillating between luck and intelligence. With a view to earn interest or profits, traders, merchants and bankers paralyse the perplexed ryots, professing to promote the interests of the latter.

With the exception of a few influential members, the majority are not afforded any facilities.

Government should render assistance in the matter of collection and payment of small amounts also even as they render assistance to some societies, recognized by them, in the matter of remittance of money, and should appoint more propagandists and cause the spirit of co-operation to the spread among the people.

It must be said that hand loans are not available to ignorant ryots and, even if such loans are available, these ryots are ruined by the interest payable thereon.

It would be better if the duty on bills is reduced at least to half the present rate.

In our district, merchants sign, either jointly or severally, hundis bearing Government stamps and get them discounted largely by bankers on the security of their credit.

Under the system generally followed at present in respect of hundis, the people are obliged to incur repeatedly and frequently the unnecessary loss resulting from the payment of duty on hundis, since they pay the amount on the due date within the short period specified therein and immediately execute a fresh hundi again paying the duty thereon unnecessarily. The benign Government should amend this Act so that the people may not frequently incur the loss resulting from the payment of duty on hundis. It would be highly beneficial if the stamp duty for any amount that may be raised is so fixed that it does not exceed four annas.

The hundis executed by the people in favour of bankers are discounted in the Imperial Bank of our district which is a Government bank, sometimes in provincial banks and at other times by the bankers of Northern India.

Business is carried on largely on the security of railway receipts.

There are no difficulties.

I do not know.

I do not know.

3. In our district, the price of double crop wet lands, wherein paddy is cultivated, ranges from about Rs. 1,000 to Rs. 1,500 per acre. The price of single crop wet lands ranges from about Rs. 800 to Rs. 1,000. The value of dry lands irrigated by wells wherein wet crops, ragi and garden crops can be grown is about Rs. 700 per acre. The value of lands wherein dry crops alone can be grown ranges from about Rs. 50 to Rs. 200 per acre.

Reasons for depreciation in the value of lands: --

(1) The emigration of the people of our country to other countries as a result of their losing interest in agriculture and the decrease in the profits of agriculture consequent on the increased wages resulting from the reduction in population.

(2) The export of the cattle of our country to other countries and the rise in the price of cattle consequent on their decline every year on account of diseases and lack of sufficient pastures.

(3) As the practice of using leaf manure for lands has been given up for many years and as the yield of produce has gone down considerably on account of the neglect of the lands due to the differences existing between pattadars and actual cultivators, the lands have depreciated in value.

An acre of land worth about Rs. 1,000 is sold for Rs. 400 to Rs. 500 when it is sold in Government auction for non-payment of revenue, for about Rs. 300 to Rs. 400 when sold in Court auction and for about its real value when sold in the ordinary way.

4. There is no legal impediment to mortgage of land in our district. There are no agricultural banks in our district.

The Government should establish land mortgage banks as well as 'limited bank' in our district by carrying on propaganda in several places and collecting shares. They should, with a view to help ryots to discharge the heavy debts contracted by them, constitute a fund by adding to the capital of the aforesaid joint-stock banks a sum equal thereto, grant long-term loans to ryots at a rate of interest not exceeding 7½ per cent per annum and thus help them to attain progress. The aforesaid 'limited banks' should be under the patronage and careful supervision of the Government.

I do not understand the other questions.

5. The information asked for in this question cannot be given approximately. If the actual amount is required, special officers should be appointed in the first instance to gather the figures relating to certain villages in one or two districts. Unless this is done, the estimate cannot be reached even approximately.

As the majority of the people do not maintain accounts in respect of their income and expenditure, they are obliged to spend more than their income. The average property owned by the majority of the people is not sufficient even for their maintenance. On account of this, the expenditure incurred by the people on the promotion of education and on ceremonies and other occasions involves their families in debts which catch hold of them like a contagious disease. This is a thing which can be seen everywhere in our country.

The estimate cannot be reached unless special officers are appointed to conduct enquiry in different places.

It is only the Nattukottai money-lending banks that largely give loans at a high rate of interest. They deduct the interest from the principal in advance, collect penal interest if the balance is not paid on the due date, pay a higher stamp duty in civil courts, swell the loan raised to twice its original amount in a short time and thus subject the people to loss.

Yes.

The incentive will be lost.

6. There are no industries in my district which can be carried on by agriculturists during their leisure hours.

No.

Arrangements should be made for agriculturists in different places engaging themselves in making mats and * out of dried grass, hemp, etc., manufacturing bamboo articles and making from the coconut tree the several kinds of articles which are made in the Kerala land. The Government should take steps to hold exhibitions everywhere in connexion with the above industries and guide the people. The Government should, with a view to encourage the industrialists who do their work properly, award prizes to them from time to time, appoint a special staff to develop this movement and render assistance by means of grants.

The industries referred to above are very ancient ones and are without the support of modern experts in science.

7. Co-operative societies and the Imperial Bank are not of much use to agriculturists.

Short-term loans are not regularly available in co-operative societies. For the last twenty years, the number of trustworthy members has been decreasing and the loans have become overdue and have been increasing in amount. As the dues to the central bank are not paid on the due dates, it does not grant loans to societies which consequently cease to function.

It is only the Deputy Registrar of Co-operative Societies who supervises my district who is competent to say anything about this subject.

No.

No.

This help may be rendered to genuine unions like the Tiruvannamalai Union, that stand foremost among the societies which started this co-operative movement in our district many years ago and fostered many societies allied to this movement like the urban bank, sale society and firewood society and which are exercising careful supervision over them and are attaining stability by doing their work in a faultless manner.

II.—Indigenous banking.

1. The banks and bankers in our district afford concessions largely to traders and are not useful to agriculturists.

2. Money is available only at a high rate of interest and not at a low rate of interest.

3. The money-lending firms in the villages of our district obtain money at a low rate of interest from the limited banks and the Imperial Bank of India in big towns and lend the same in villages at a high rate of interest and thus ruin them.

4. All the methods referred to herein are beneficial only to merchants.

5. I do not understand.

6. Interest is now being paid at a rate ranging from 12 per cent to 25 per cent.

A. The Government should help agriculturists by enacting a law that agriculturists should pay interest for the loans taken by them only at the current rate of interest obtaining in the Imperial Bank in pursuance of the law enacted by Government.

B. If money is available at a low rate of interest, agriculturists will be greatly benefited and villages will prosper.

7. No.

No.

It is possible; because, the Government may deposit their moneys in indigenous banks even as they do in the Imperial Bank and help them to attain progress under their supervision.

Yes.

There are no defects. But Government supervision is necessary in the case of every indigenous bank.

8. As the education relating to the banking system is very poor in India, it would be well if colleges are established for imparting instruction in banking, several experts are trained on commercial lines and propaganda is carried on everywhere for strengthening the commercial movement to enable even petty merchants to understand the ins and outs of business methods and the secrets of internal and foreign trade.

9. The average profit and loss can be ascertained if an enquiry is conducted in respect of every indigenous bank.

10. Indigenous banks do not have sufficient capital. But, owing to insufficiency of capital, they obtain money at a low rate of interest from big banks outside and lend the same at a high rate of interest even to persons owning extensive property and thus overburden them with debts.

11. Villagers will prosper, if provincial banks and central banks lend money to other indigenous minor banks on condition that they should advance the same to the villagers at a small profit.●

This may be done.

Assistance can be rendered to indigenous banks by co-operating with them and by some of the prominent residents of the villages wherein branches are established becoming members of the Advisory Committees of those branches and offering sound advice.

12. No.

No.

'Limited banks' and urban banks are generally very few in the districts. This is the case even in small towns. If public banks like the urban bank are established in every taluk or at least in one or two taluks, the money available in the districts will remain in the respective districts and benefit them to a large extent.

III.—Investment habit and attraction of capital.

1. Silver rupees and currency notes are the financial resources of this district. 4:24

The amount should be determined only with the help of experts.

The people deposit a small portion of their savings in post office savings banks and a large portion in indigenous co-operative credit banks.

There are not sufficiently reliable banks in the districts for the people to deposit their money in current account.

Urban banks and 'limited banks' can be developed if branches thereof are established even in small towns and conducted properly so as to inspire confidence.

• The investment of money in gold and silver is common in India; for, on account of the poverty which has been prevalent in the country for many years, the people are, in view of dangers and old age, investing their money in this manner for future protection. Though it is true that, if the aforesaid jewels and silver are in the shape of money, the wealth of the country will increase considerably, the absence of banks of good stability, which can inspire confidence in the public, and of the belief that their worldly wealth will remain in the country itself, is alone responsible for this.

2. Only a very few persons^{are} are in favour of postal cash certificates in our district. The poverty of the people and the low rate of interest payable thereon are responsible for this.

The necessary draft in this connection can be had from experienced persons.

The condition that depositors can withdraw their money only once a week is indeed a hardship to people with a small income. It will be convenient to poor people with a small income if facility for withdrawal at least twice a week is afforded to them.

Government officials and people employed in firms, who are in receipt of monthly pay, deposit their money in savings banks.

Yes.

The people do not think that the Government are competing with banks by the issue of Treasury Bills and postal cash certificates.

3. I do not understand.

4. I have no experience.

5. Yes. Commercial education and banking education are very poor in this country. The people have, for many years, lost the incentive to develop trade and wealth on account of mere devotion to God, lack of education and extreme poverty.

The Government can cause the wealth of the villages to be invested in big productive undertakings such as *irrigation** schemes of corporations and municipalities, which are calculated to promote public good, by carrying on propaganda from time to time among the people through pamphlets and Government officials and by warning the people not to invest their money in unproductive schemes.

Except to a few big bankers, the branches of the Imperial Bank are of no use either to petty merchants or agriculturists.

Even when the ordinary agriculturists or petty merchants wish to deposit small amounts in the current account either in the bank or in its branches, these institutions invariably refuse to receive them. What assistance can this bank, which refuses to render even this small help, render to the majority of the people and to many petty merchants!

*Apparently, water-supply.

**Written evidence of Rao Sahib M.R.Ry. JAMPALA VENKATESAM
CHOUDARI Garu, Deputy Registrar, Bellary.**

1.—Agricultural credit and credit facilities for small industries.

The Bellary circle consists mostly of dry areas depending on rain. The average agriculturist is of limited means. He obtains his credit by executing promissory notes, or contracting to sell his produce at a fixed rate or by the mortgage of his lands.

1. (a) Expenses during cultivation may be classified as—

- (i) purchase of seed, manure, fodder for cattle and implements;
- (ii) cooly for ploughing, weeding, baling out water for irrigable lands, harvesting, etc.; and
- (iii) purchase of bulls.

The present system of borrowing for expenses during cultivation under items (i) and (ii) which are comparatively small, either in coin or kind, is from the agriculturists or village money-lender or from the co-operative society. Borrowing in kind carries a higher rate of interest and is called 'Nagu.' These small loans carry generally a higher rate of interest than loans of larger denominations. These short-term loans are sometimes obtained on oral contract, or a bond, ordinarily not registered. Cultivators of cotton are sometimes advanced petty loans by the agents and brokers of the foreign firms in the district (Messrs. Rally Brothers, Volkart Brothers, etc.) on the undertaking that cotton grown would be sold to the firms.

As to item (iii) comparatively larger amounts are required for purchase of bulls and loans for this purpose may, in addition to the above agencies, be had from the Government under the Agriculturists Loans Act. Small loans for purchase of seed and fodder for cattle may also be had under this Act. The Government loan carried interest, till recently, at 7½ per cent, and now at 6½ per cent and is repayable in 2 to 10 years.

(b) For capital and permanent improvements on land, loans are obtained from the local money-lenders, the village co-operative society, if any, and the Government (under the Land Improvement Loans Act). Money-lenders advance such loans on mortgages and see that they do not lose hold over the borrower, by not enforcing repayments of the loan. The village co-operative society regulates the period of a loan with reference to its purpose and the repaying capacity of the borrower, with a maximum period of five years for repayment.

(c) For special needs at the time of failure of monsoon, for land revenue, etc., the agriculturists resort to the village money-lender and the co-operative society, sources near at hand, while the Government help comes at times of famine for the purchase of fodder for cattle.

With these sources, the method of borrowing and repayment vary, with reference to the mentality of the lender and the borrower, the urgency of the loan and the security offered, besides other factors.

A village money-lender that advances a small loan on personal credit, either on oral contract or pro-note, presses the agriculturist to repay at the succeeding harvest, when he cannot pay and obtains a better security (mortgage) for principal and interest. More often, he secures the ryots' produce on the threshing floor. His rate of interest ranges on small loans from 12 to 36 per cent per annum and rarely extends to one anna per rupee per month (75 per cent per annum) and on large amounts from 6 per cent (on good security to an influential ryot) to 18 per cent. The feebler the security or the more urgent the need for money, the higher is the rate of interest. The money-lender's covetousness for the borrower's land and his desire for gaining influence in the village lead to slackness in recovery of the loan and the ryot's increasing debt eventually sets off the land against the loan.

A co-operative society regulates the borrowing of an agriculturist with reference to the purpose and the repaying capacity and allows payment out of his income by easy instalments, the rate of interest being uniform.

The Government advances depend upon the security for loan and the requirements of the ryot, the repayment being allowed by small instalments.

No loans are advanced to ryots by joint-stock banks or branches of the Imperial Bank of India, for agricultural purposes. For commercial purposes, the Imperial Bank issues loans to both traders and agriculturists. The existing evils in the financing system may be set right by adopting the following remedial measures:—

(1) The State may enact that interest over and above a specified rate shall not be levied.

(2) The civil courts may be made competent to excuse interest beyond a specified amount, regulated by the amount of loan and the period for which it existed.

2. The marketable crops may be mainly divided into two classes:—

- (i) Articles for consumption, and
- (ii) articles for foreign export.

The illiterate and conservative agriculturist sells his produce generally when he has obligations to meet, not knowing the advantages of good prices with a fair dealer, in the organized market. The marketing of the village produce mainly stands at present, in the hands of the village trader. The trader goes about the villages and attends the weekly shandi and makes his purchase in small quantities. He sells them to the bigger town merchant in the vicinity who passes them on to the exporter or wholesale merchant. Each of these middlemen, with their commission or profit added, turns the articles of consumption to the consumer.

As to the articles for export, as cotton, groundnut, etc., the exporting firms who can gauge the foreign market, have the full advantage. Generally the exporters enter into forward contracts with the wholesale dealers for the supply of a stated quantity of an article, within a definite time at a specified rate, failing which the suppliers indemnify the exporters for the resulting loss. The suppliers similarly deal with their small traders who advance some money to them, if necessary. The small traders more often advance loans without interest, to the producer sometimes before cultivation, on condition of sale of crops raised, or on the standing crops, at a specified rate and thus secure the produce.

The agriculturist suffers for lack of organization and capital. The possibilities of effecting sale of agricultural produce to the advantage of the ryot, may exist only through co-operative societies. A co-operative loan and sale society may be started at the headquarters of each taluk, serving all co-operative societies in the taluk and to purchase produce even from a non-member agriculturist, to assure the agriculturists of a fair price and dealing.

Credit facilities under this system for the financing of products now exist through co-operative loan and sale societies which raise their requirements from the Central Bank on the basis of share capital and on the pledge of produce, and advance loans on the pledge of produce to the agriculturist-members of the affiliated societies to the extent of 60 per cent of the market value and arrange for the advantageous sale of the produce.

The other system of advances by private money-lenders or petty traders are ruinous to the agriculturists.

3. The factors affecting the value of land, among others are the following:—

- (a) The cause for alienation,
- (b) demand and supply,
- (c) proximity to the village,
- (d) sources and facilities for irrigation, and
- (e) fertility of soil.

The approximate value of an acre of land is shown in the sub-joined statement:—

	Wet.		Dry.		Remarks.
	Good tank river, channel or other sources.	Others.	Red soil.	Black cotton soil.	
	RS.	RS.	RS.	RS.	
(a) Sale in Government auction for non-payment of revenue.	600 to 1,000	400 to 600	5 to 25	100	Good advertisement, —ordinarily lacking—brings a fair price.
(b) Sale by Court-decree.	800 to 1,200	700	10 to 30	100 to 200	Owing to fear of claims and cross-claims, the value is generally less.
(c) Sale by private negotiation.	1,500 to 2,000	850	20 to 50	150 to 300	..

With the difficulty in the ascertainment of ryots of the occupants in the shrotriyam or inam or estate villages, the value of land has a set-back.

4. The working capital of the proposed land mortgage bank may be at the outset composed of (1) funds from the central institutions and (2) debenture bonds; and when the banks gain confidence, deposits will flow in of their own accord.

Redeemable debentures may be issued, the interest being guaranteed by the Government, on condition that the banks invest part of their funds in Government securities. The Government and a few, elected from among the debenture-holders, may constitute the Board of Trust.

All the loans will be on mortgage security and the working expenses may be provided for, by a margin of $1\frac{1}{2}$ per cent between the borrowing and the lending rates of interest, the borrower being separately charged the valuer's fees at the time of grant of loan and at every periodical valuation.

5. Except by close enquiry, an accurate estimate of the indebtedness of the ryots cannot be had. With reasonable accuracy, a rough estimate may be had by grouping villages in each taluk, with reference to the size of the village, fertility and productivity of soil, value of land and the nature of ryots and making detailed enquiries in two villages of each group.

As to the purposes for which the debt was incurred and the persons to whom the debts are largely due, a correct statement is not possible without collection of statistics.

The rates of interest charged on loans have already been stated, and as to the method of calculation of interest, while the Government and the co-operative society levy interest on principal outstanding, a private money-lender charges interest on the full amount of the loan and rarely allows repayment by instalments.

Repayment of debt is enforced by recourse to arbitration, the village panchayat courts or civil courts; and co-operative societies have the exclusive privilege of making a reference in writing to the Registrar whose decision is equally valid.

An imprudent farmer, by lack of knowledge to produce and save more, may occasionally lose what he has and be a tenant temporarily, but it is not of common occurrence.

6. In this circle, the subsidiary industries are sheep-rearing, cumbly-weaving and dairying. In the cotton growing areas the poorer classes take to ginning and spinning cotton.

These subsidiary industries do not exist on a scale deserving of any extra capital.

The circle being a dry area, with few irrigation resources depending on irregular monsoons can hardly concede and rely on any subsidiary industry, allied to agriculture.

6-A. Silk-weaving in Dharmavaram, bell and brass metal-making in Onipenta, cumbly-weaving in Kuditan, slate-making in Markapur and carpet-weaving in Adoni and Kurnool are carried on. The conditions do not warrant any extraneous capital.

Weaving industry is gradually dying as there is no market for the goods produced. If a central emporium is established at the Presidency centre, and advances are made as soon as the finished products are received, the industry can be revived.

7. The District Co-operative Central Banks, Ltd., in the circle obtained overdrafts at 6½ per cent from the Imperial Bank of India, Ltd. The concession is very useful for the co-operative institutions. The relations between the co-operative bank and the Imperial Bank are cordial. Co-operative sale societies are now issuing loans on the pledge of produce. Though the same business is done by branches of the Imperial Bank, no conflict of interest has arisen in this circle.

In regard to co-operative societies the financial help from the central bank depends mainly on the efficiency in work and punctuality in repayment of the constituent societies. With successive bad seasons, the circle suffered heavily and the societies abound in arrears, the central bank being obliged to be pessimistic and conservative. Under favourable conditions, no difficulties exist.

There is enough money available in co-operative banks to meet the short-term requirements of the members. But there is no demand from members, as they are in the habit of getting such short-term loans from the village sowcars. The Registrar has issued circulars and instructions to popularize short-term loans recoverable from the next harvest. But the members in several cases are sticking on to their old practice, and binding themselves to the sowcars with the promise of selling their produce at a specially reduced rate. One of the reasons assigned for this conservatism is that credit will be available whenever asked for, with the sowcars while it is not the case with the co-operative institutions. But this is not true.

Facilities are provided to get loans within the course of a day, if the members wish to utilise the concessions afforded to them. Further propaganda appears necessary in this circle, in this respect.

But the conditions are different in regard to long-term loans. People require long-term loans for periods longer than the co-operative banks can lend. The district banks get deposits for periods covering two to three years. While people require loans for periods extending from 10 to 20 years. Long credit accommodation can be given only by land mortgage banks. But there seems to be no prospect of having any land mortgage bank in Ceded Districts where repayment of instalment is not certain, whenever there is failure of rain.

In order to encourage co-operative movement, it is necessary to give further concession. It will be helpful if debentures issued by co-operative banks are admitted as trust securities, if income-tax is exempted not only on profits but also on incomes derived from securities and investments and the claim of a co-operative society is made the first charge on a decree-holder's property, after the claim of Government is satisfied.

**Written evidence of M.R.Ry. MUTHUVULAPPA MUTHALANDI
RAMACHANDRA BHUPATHI Garu, Deputy Registrar,
Vellore.**

1.—Agricultural credit and credit facilities for small industries.

1. The agriculturist obtains finance in the following ways:—

(1) It is customary for the bigger and the richer ryots of the village to finance the poorer and the needy. This system prevails for the following reasons:—

(a) The survival of ideas of communal life by which the villagers were bound together as a definite entity,

(b) indirect ways in which the richer ryot will expect help for odd jobs from the poor man,

(c) the rich man may have an idea of buying up the poor man's land or anything which he covets, and

(d) in certain cases the condition of the loan may be to buy up the produce of the borrower and hold it up for an advantageous market.

The loans granted in this way are short-term loans for agricultural purposes or for special needs like the payment of the land revenue. Sometimes long-term loans also are given when the ryot wants to build a house or to dig a well. The interest varies from 9 per cent to 15 per cent and the securities generally taken are promissory notes or mortgages. Sometimes when the borrower is either quite helpless or ignorant no bond as such is taken but he has needs to accept the accounts maintained by his richer master.

The defects in this system are—

(1) The lender and borrower have no mutual interest.

(2) The borrower does not learn to be thrifty as he gets money for any and every purpose.

(3) He does not learn to be business-like as he implicitly trusts the accounts maintained by the lender.

(4) No distinction is drawn between long-term and short-term loans. In fact there is no period fixed for the loan. It is a loan repayable on demand and the lender does not care to recall it so long as he gets high interest and the security is safe.

(2) There are the professional money-lending classes like the Chettis. These are not born to the soil of the village. Their area of operations will cover a radius of a couple of miles or more and incidentally they may have some shopping business also. Their rates of interest are higher and their weights and measures are purposely made to defraud the customers. As they are men of business who expect a quick turnover, their loans are for short-terms and their securities are promissory notes or jewels.

(3) More or less of the same type but more common in semi-urban areas are the Marwaris. Their interest runs up from 5 to 40 per cent and their securities are jewels and such other movables as are valuable and readily marketable. They do not wish to acquire the land or the produce of the ryot. They want their Shylock's interest. Strangers that they are, devoid of local sympathies and local knowledge, they are veritable blood-suckers.

(4) More cunning, yet equally dangerous, are the agents of urban traders and brokers of foreign companies. In their case they want only the produce of the ryot, and they want it at the cheapest price. With this purpose they make such advances as are necessary for raising the particular crop, the condition being that the harvested produce shall be delivered to the broker according to his weights and measures. The ryot consequently has no alternative but to sell it to him at ruinous rates.

(5) In such a village economy the co-operative societies have set up superior principles of controlled credit, associative action, identity of interests between the borrower and the lender and a high regard for the ryot's capacity to earn and save. Their defects as against the other agencies are:—(1) they do not grant loans with the utmost promptness, (2) they do not grant long-term loans, (3) they do not arrange for the sale of the ryots' produce, (4) good members do not get loans when bad members continue to be defaulters, (5) the associative spirit has yet to be developed by intensive propaganda in co-operation and general education, (6) they somehow cling to the idea of mortgage loans and thus landless men are excluded, and (7) communal jealousies and the attitude of the higher castes towards the lower castes limit the scope of the society's work.

Nevertheless a description of the first four agencies must show that in co-operation lies the remedy for agricultural indebtedness. Of course, Government have taken direct action by advancing takavi loans. But these are for a specific purpose and, as Mr. Wolff has conclusively proved, the agency to administer this credit has no interest in the ryot. The work becomes routine and forms an appendage of the Revenue Department. The Imperial Bank confines its activities more or less to the urban areas and can never be expected to widen its scope so as to reach the ryot in the village. There is not a single joint-stock bank worth the name in North Arcot district while the indigenous banks and bankers are not working well because their administration does not command confidence, their terms are high and they are meant mostly for the urban and suburban people.

So far as these different agencies are concerned, there is no co-ordination at present and with the spread of the co-operative movement no co-ordination seems to be necessary except that the Imperial Bank may grant such overdraft facilities to the district banks as are necessary.

2. The ryot takes an advance for his agricultural expenses. But with the harvest his difficulties are not over. Rather they begin afresh. The ryot does not know the best market. He may have no conveyance to take it to the market. Lastly, even if he goes there, the buyers combine so cleverly that for all the trouble he takes he gets a meagre price. Sometimes he has to leave it at the godown of the middleman who undertakes to sell it at a future date. In the face of these disadvantages the ryot not uncommonly sells it to a richer ryot who takes it along with his own harvested produce to the market. But this happens when the latter has got the enterprise to go to a market. He too is likely to be deterred by the difficulties. Hence the most common method of marketing the produce is to deliver it to the agent of the urban trader or company. This at once transfers the risks of the market to the agent and the ryot gets his price freed from all worries. Where the ryot is already indebted to the trader he has no option but to deliver it to him. But even where he took the advance from a neighbour or the village co-operative society the tendency is to deal with such an agent.

The disadvantages incidental to such a system can be overcome only by building up a network of co-operative credit societies and a chain of loan and sale societies that will carry the produce to the terminal market. For these purposes the following conditions have got to be fulfilled and their absence explains the failure of the co-operative movement in this direction:—

(1) The credit societies must set apart a definite portion of their funds for short-term loans and likewise in the case of each individual there must be a sufficient margin.

(2) Such loans should be applied for in advance on a forecast system and must be promptly obtained and disbursed in proper time.

(3) When the produce has been harvested the produce should be taken to the loan and sale society and should be stored there, the member being given an advance on the security of the produce.

(4) The loan and sale society must have a rat-proof and fire-proof godown.

(5) If possible there must be arrangements in the premises of the loan and sale society to sift, winnow and grade the produce.

(6) The loan and sale society may itself dispose of the produce or may transmit it to a central society at the terminal market, if there is no local market near at hand for the produce.

(7) To facilitate these activities, communications must be good and the lack of the same is a positive hindrance to trade now.

(8) The railways must also grant suitable concessions, opening stations at market centres, building vast goods-sheds, augmenting the rolling stock and granting concessions in point of time and rates to agricultural produce marketed by associations of producers.

But the chief difficulty is with regard to storage. Loan and sale societies have to maintain proper godowns. These are not easy to build. A fixed rate of interest must be guaranteed to the share-holders and dividends declared according to the amount of produce stored.

3. Value of land per acre in purchase by private negotiation—

North Arcot district—

Dry, Rs. 50 to Rs. 400.

Wet, Rs. 300 to Rs. 2,000.

The factors affecting the value are—

- (1) Sources of irrigation,
- (2) nature of soil,
- (3) cost of labour, and
- (4) facilities for conveying of the produce by road or rail.

In Government auction and court sale, lands do not fetch any reasonable price. The various reasons being that wide publicity is not given for the sale and it is confined to the village itself, bidders do not freely go in, villagers are not in a position to pay off the sale amount within the stipulated period—the villagers desire to avoid all unpleasantness—the trouble of taking possession of the land, subsequent to sales and lastly collusion among villagers to knock down the bid at the lowest price possible.

4. There is no legal impediment to mortgage of land and agricultural holdings.

There are about 25 land mortgage banks in the province and all of them are in the initial stage. There is no other bank for the provision of long-term credit.

As regards the method of work of the existing banks they manage with the amounts secured by the sale of debentures and the share capital paid by members and issue loans to them for the liquidation of prior debts, improvement of lands, etc., repayable in 20 years on the security of their immovable property free from all encumbrances save those to be redeemed by the loan given by the bank, not exceeding 50 per cent of the market value of such property. Interest on debentures taken up by Government carries 6½ per cent while that purchased by the public carries 7 per cent. The rate of interest charged on loans advanced by the bank is 9 per cent. The banks float debentures only after obtaining the sanction of the Registrar of Co-operative Societies. Even though the working capital of these banks may be derived to some extent from debenture bonds yet the central institutions should be their main stay. Government have already resolved to give guarantee for interest on debenture bonds.

The following precautionary measures will ensure Government against unnecessary loss:—

(1) Careful inspection and valuation of properties offered as securities and investigation into the title and assessing the credit of the borrower by responsible officers of Government.

(2) Periodical revaluation of the lands with a view to procure the requisite cover in case of depreciation of value.

(3) Debentures should have a floating charge on all the assets of the bank.

(4) Sinking fund may be provided for.

(5) Debentures should be added to the list of securities given in section 20 of the Indian Trust Act.

Whether the land mortgage banks raise funds by floatation of debentures or from central institutions it should be for 30 years carrying interest at 6½ per cent. They should lend the amount to members for the same period at 7½ per cent. One per cent margin is sufficient to cover the expenses. The present rate of interest of 9 per cent is too high and the period of repayment also is too short.

5. I am not aware of any accurate estimate of the indebtedness of the agricultural classes in any village or any district or province.

An economical survey of each village will have to be made by a responsible officer with powers to ascertain from each agriculturist and his creditors the exact amount due by the former. Failure on the part of a creditor to have his debt so registered should involve forfeiture of his claim.

Money rates of interest charged in the districts, that I have some knowledge of, vary from 18 to 48 per cent. So far as the actual cultivator is concerned, grain rates are also charged which works up to 45 to 60 per cent. Interest is usually added on to principal at the end of the period stipulated for repayment and further interest is charged on the total amount thus arrived.

The repayment of the debt is generally enforced either by taking hold of the produce at the harvest and fixing an arbitrary price or by other illegal means such as seizing of cattle.

I consider that a certain number of people who are efficient farmers are being turned into tenants for a period or tenants-at-will through the process of the enforcement of the old debts and the landed property passing on into the hands of creditors and this takes away from the actual cultivator the incentive to produce more and in an efficient and better manner.

6. Some of the small subsidiary industries in existence are—
- (i) wool-spinning and weaving,
 - (ii) bamboo basket-making,
 - (iii) coconut coir industry,
 - (iv) plaiting of coconut leaves,
 - (v) kora mat-weaving, and
 - (vi) pottery industry.

I do not consider industries such as rice-milling, cotton-ginning and sugar-refining can be carried on as a subsidiary occupation by any farmer or farmers in spare hours. Such industries are usually run by urban capitalists devoting their full time to them. Other industries of the kind referred to above do not require any organization, except for the provision of cheap capital whenever necessary.

A farmer having sufficient and different kinds of land such as wet, dry and garden can hardly have any spare time. It is only such of the agriculturists that do not possess lands sufficient for their cultivation or those that do not own various kinds of lands, that can find leisure and this they devote in agricultural labour for wages. It is a fact that agricultural labour is growing dearer owing to the emigration of this class of people to estates and towns in search of easier employment. If at all an agriculturist can spare time, he may profitably devote it in small industries such as sheep-rearing, poultry farming, and silk-rearing (wherever the climatic conditions permit). Such industries do not require any large capital. Whatever money is required may be easily provided for by village co-operative societies which should also make adequate arrangements for instructing the farmer on improved and up-to-date methods.

7. Co-operative banks do not generally have transactions with the local joint-stock banks and indigenous banks. In some cases however they accept the investments of the local banker as fixed deposits. The Imperial Bank grants an overdraft on the strength of the collateral securities (co-operative paper) lodged with it by the central banks. This overdraft is meant to

facilitate repayment of deposits and to grant short-term loans to societies. There is no competition between the co-operative and joint-stock banks for the following reasons:—

- (1) Co-operative central banks deal with societies and village societies with ryots. The joint-stock banks deal with big merchants.
- (2) Co-operative banks advance for approved and productive purposes. The joint-stock banks advance for any purpose.
- (3) Co-operative urban banks deal with poor men. The individual maximum borrowing power is low. The joint-stock bank finances big traders.

The Marwari or the village money-lender is the real rival of the society. The money-lender is hard to beat because (1) he grants loans with the utmost promptness; (2) he takes movables like jewels or pots as securities; (3) he grants for any speculative purpose; and (4) he does not make it a rule that an individual should be granted only so much lest others should suffer.

In addition to the existing financial concessions co-operative societies require assistance in the following manner:—

- (1) Extension of special exemption from income-tax to genuine co-operative societies.
- (2) Inclusion of debentures issued by provincial co-operative banks in the list of trust securities.
- (3) Loans to central banks for financing the societies for cottage industries.
- (4) Guaranteeing of interest on land mortgage banks.
- (5) Permission for remittances at par for societies' money through post office.
- (6) The treasury does not receive sums less than Rs. 150 for R.T.R. This must be relaxed.
- (7) Exemption from profession taxes levied by local boards.
- (8) Exemption from toll fees to conveyance owned by co-operative societies for the transportation of their produce.
- (9) Ample subsidy for propaganda.

The real trouble with the societies is their failure to make a clear distinction between short-term finance and long-term finance. While leaving aside the question of really long-term capital to be dealt with by land mortgage banks the societies have to grant loans for fairly long periods up to ten years. For this, they must get loans from central banks at least for a period of ten years. This is not easy to obtain now.

II.—Indigenous banking.

1. The indigenous banker takes deposits both on current account and fixed periods; gives loans for short as well as long durations; gives money on call; discounts and accepts hundis or bills for collection and issues hundis or drafts for purposes of private and trade remittances.

2. Indigenous bankers finance agricultural operations—loans being recoverable after harvest. They also advance loans for land improvements, purchase of land, plough, cattle, domestic requirements, etc., on pledge of jewels or on pro-notes and rarely on mortgages. Petty traders draw small loans on kanthu system repayable at one or two rupees every evening.

Traders raise large loans from indigenous bankers for being utilised in seasonal trades and contracts. I do not think these bankers finance industries.

3. (d) Indigenous bankers draw hundis and bills on each other and also discount and collect bills for each other. They also allow overdrafts to smaller bankers. Every indigenous banker has an overdraft account with the Imperial Bank or in one or more of the other joint-stock banks. They seldom have anything to do with co-operative banks.

The indigenous banker grants loans generally on joint pro-notes executed by two or more clients. Interest is payable on the expiry of the ten months, if defaulted, it is added on to the principal on the 11th month and further interest is charged on the total thus arrived. Interest ranges from 18 to 36 per cent and it is invariably deducted in advance from the loan itself. Small repayments are not accepted and even if accepted, no abatement of interest is allowed. Renewals are allowed if satisfactory part payments are made before the stipulated period of ten months. Cash credits are allowed only to fellow bankers on letters of credit. A richer banker gives a letter of credit to a smaller one authorizing him to draw on his account from a certain bank up to a fixed maximum on the current market rate of interest with or without time limit. This privilege is not allowed to any customer.

Indigenous bankers usually keep sufficient cash. They also open current accounts with other indigenous bankers or joint-stock banks in the locality to facilitate their daily transactions. They may have also to borrow occasionally from other banks.

Fixed deposits are received not at any specified rates of interest but at their own rates fluctuating from time to time which is known as "معدل القرض" in the banking circles. Current deposits are not generally accepted.

6. Professional bankers charge only money rates of interest which ranges from 15 to 36 per cent. Village sowcars and prosperous ryots charge grain rates which work up to 45 to 60 per cent. Exorbitant rates such as 1 anna per rupee per month and grain rates working over cent per cent are occasionally charged.

I do not consider any better organization is possible to bring down such rates as they depend upon the status and credit of the borrower and the emergency of the loan. Interest is high when the credit of the borrower is low. The reduction of such rates may save the agriculturist from undue accumulation of interest and eventual ruin but it may not improve the standard of his living nor would it enable him to spend more on agricultural improvements.

7. There is no prejudice against indigenous bankers in my locality. They are sufficiently protected in law. No facilities need be extended to them. I do not consider the dealings of these bankers with their clientele are conducted on sound lines. They very often take risks.

9. The net return to the indigenous bankers on their capital after making allowances for losses, expenses, etc., may be calculated at 12 per cent provided that they are prudent.

Indigenous banks do not meet all demands for accommodation. They carefully examine the security and assess the credit of the borrowers before advancing loans. Even though they attach much importance to personal credit they generally restrict their transactions to the extent of their owned capital.

Indigenous bankers do not keep their money idle, as the demand is greater than the supply.

III.—Investment habit and attraction of capital.

1. Intensive enquiries into the income, wealth, cost of living, indebtedness, etc., of the people are necessary to find out the amount of additional capital required. The institutions for the encouragement of savings and investment habit are:—

- (1) The post office savings banks and the postal cash certificates,
- (2) the co-operative societies,
- (3) the nidhis,
- (4) joint-stock banks, and
- (5) Government securities.

It must be said that these institutions have touched only a fringe of the population. The reasons are—

- (1) postal facilities do not exist everywhere,
- (2) co-operative societies have concerned themselves more with the granting of loans than with the encouragement of thrift,
- (3) the midhis do not inspire confidence,
- (4) the joint-stock banks are situated only in towns,
- (5) general illiteracy of the masses—they do not know to operate upon current accounts,
- (6) they lack foresight which is indispensable for thrift.

Opening of more postal savings banks in post offices even in the interior places and spread of education in the habit of saving will bring about a good deal of improvement in this respect.

The hoarding habit of the people of India has been mostly exaggerated. Doubtless hoarding in the shape of jewels existed some fifty years ago for the following reasons:—

- (1) The state of insecurity and the general nervousness in the country prevalent in the 19th century.
- (2) Want of banking facilities which compelled the Indian to consider his wife as his best bank.
- (3) The prestige which he could acquire by passing for a great man in a society which was still emerging from abject poverty.
- (4) Want of popular confidence in banks due to the frequency of insolvencies.

This habit of hoarding is not so strong now for the following reasons:—

- (1) Settled Government which has restored confidence in investors.
- (2) Banking facilities have increased.
- (3) Trade has developed and forms a suitable outlet for surplus money.
- (4) Growing social opinion that hoarding is uneconomic.
- (5) The prevalence of artificial things which may pass for genuine jewels.
- (6) Diversion of wealth from jewels to lands particularly near growing towns.
- (7) Greater expenditure on the comforts of life as a result of the rising of the standard of living.

Thus the hoarding habit has been greatly exaggerated. In the first place the rise in the standard of living without a corresponding increase in the means of income has left the people in a state of economic bankruptcy. In the second place those who save invest their savings in land or in rare cases invest it in banks.

2. The savings bank facilities are as a rule availed of by Government employees and such other persons with fixed income (people of middle classes) who hope to profit little from investments made otherwise. The speculating trader does not favour it. Agricultural classes also do not resort to such investments.

The following are the chief defects in its working:—

(1) It is not useful for making remittances from place to place, e.g., money cannot be sent from Vellore to Calicut by operating upon a cheque presented at Calicut.

(2) The rate of interest is very low.

To attract other classes it is necessary that—

(1) more post offices should be provided with savings bank department, and

(2) the need for thrift and the utility of these banks should be widely advertised. This can be done by including it in the school syllabus for civics, in the lower class text books and by including it in the syllabus of training schools.

There seems to be no truth in the alleged charge that cash certificates tend to check the growth of bank deposits.

It may be said that farmers generally do not invest the money profitably after their produce is marketed. The reasons are :—

(1) Before the cultivation season the man will have borrowed at a high rate and what he gets he naturally pays back to the lender keeping something for his current use.

(2) His agricultural income is only once or twice a year. This is not calculated to develop a habit of thrift, because thrift is an acquired habit and can best be developed through constant or periodical exercise.

(3) There are the recurring social or religious ceremonies when priests and relatives have to be fatly fed and gifts distributed.

(4) It is admitted that Indians multiply without reference to the means of income. The Malthusian Law thus comes into force.

(5) The surplus money is used in acquiring lands.

(6) It is also used in hankering after the false comforts of life which are so much in use in the westernised towns.

(7) High class people have to spend a great deal on the education of their boys and the dowry for their girls.

Thus the actual cash available for investment in a bank or for buying valuable securities is very little.

4. Cheques which constitute fiduciary money do not form an appreciable proportion of the total circulation of the media of exchange in India. Their growth depends upon the progress of modern banking. It is only the commercial, professional and other wealthy classes who have regular banking accounts that make use of cheques.

Abolition of stamp duty on cheques will be largely appreciated only when cheques find wide circulation among all classes of people.

Vernacular scripts in banking will of course be of immense help to all classes of people and will greatly facilitate the banking business.

5. I support the view that the habit of banking and the habit of investment are not sufficiently widespread in India.

Want of banking education contributes to the slow growth.

Considerable propaganda work and teaching the people the habit of saving and the investment of capital now unproductively used for productive enterprises can direct the capital into right channels to promote agricultural and industrial prosperity.

Opening of new branches by the Imperial Bank of India has attracted the capital to some extent and promoted the habit of saving and investment.

It has been useful in the towns but only to a limited extent for the following reasons :—

(1) The formalities insisted upon by the Imperial Bank,

(2) the low rate of interest.

(3) the idea that the Imperial Bank is only for the trading classes, and

(4) the spurious advertisement of the local money-lender.

**Written evidence of M.Ry. K. S. PRAKASA RAO Garu,
Sub-Deputy Registrar of Co-operative Societies, Kurnool.**

General.

There were societies of all types in the Kurnool district at the end of the year 1928-29 having total membership of 12,631 which gives an average of 37 members per society. When these figures are compared with the number of villages and the population in the district which are 868 and 914,890 respectively the co-operative movement may be said to have touched only the fringe of the population. There are 315 agricultural societies having 9,496 members on the rolls on 30th June 1929 with a total working capital of Rs. 9,00,116. The first society was started so long ago as in the year 1909. But the movement has made only extremely slow progress. This is attributable to the following causes:—

(1) The co-operative rate of interest which is 9½ per cent is higher than the ryot generally gets in the villages.

(2) Want of human material in the villages having patriotic impulse to run the societies without gratuity or with a small remuneration.

(3) Illiteracy of the village population.

Long-term credit.—If a review of the co-operative loans is made it is seen that out of Rs. 3,49,880 disbursed as loans to members, a sum of Rs. 2,03,242 was lent to members for paying off prior debt during the year 1928-29. This works up at 58 per cent of the total loans. This state of affairs of borrowing long-term loans continues whatever the real purpose might be. The ryot is prone to the habit of borrowing long-term loans instead of short-term loans for fear of his liquidating the debt within a year in case his crops fail due to the failure of monsoon. Though the crops do not fail and the ryot secures good price for his crops he does not like to make an advance payment of the yearly instalments of his long-term loans but spends his surplus for unproductive purposes such as heavy expenditure in ceremonies or building or extending his house or cattle-sheds. But this cannot be in the case of well-conducted societies. If it is possible to start co-operative or joint-stock banks with facilities to give long-term loans up to 10 years period for a group of villages, say, 10 or 15 villages with a number of paid workers the ryot population could be easily benefited. A bank having less than a working capital of Rs. 3,00,000 may not be a success. If there is a margin of profit of Rs. 1-8-0 per Rs. 100 per annum there would be a total profit of Rs. 4,500 or Rs. 375 per month. This amount may be sufficient to run a bank with success. The lending rate should not be more than 8 per cent. No long-term loan should be advanced without having immovable property as security. The amount advanced should be not more than one-third of the value of the property that is mortgaged. The ryot should be given facilities for borrowing short-term loans. He can be given an overdraft with ½ per cent higher rate of interest than that for long-term loan and the security that has to be offered is landed property to the extent of three times the amount of credit given to him. Privileges to the bank for collecting the overdues summarily should be given.

There are no fruit gardens in this district on large scale. If long-term credit is brought within the easy reach of the village ryot, coconut and mango and other fruit gardens will be raised in this district where there are water facilities. Wells can be sunk at places where water is forthcoming under ground.

Payment of Government kist in one lump in the last instalment of the kist season.—Provided a bank guarantees the payment of the kist of

certain individuals in one lump the last kist instalment may be allowed as the time for the payment of kist in one lump to these individuals. By this concession the Government would be helping the ryot in holding up his crop to a time when he gets favourable prices.

Marketing co-operative produce.—The important commercial crops in this district are groundnut and cotton. Enquiry in the prices of groundnut at several stages made by me recently does not show that the ryot was at a disadvantage for want of facilities for having joint sale on this commodity on large scale with a big importing house instead of selling away his produce in retail. The ryot is generally fond of stocking his crops in his own house and selling the same at his own individual discretion instead of entrusting that business to others.

Methods of supplementing the income of the ryot and of improving his standard of living.—Introduction of purchase and purchase and sale societies in each village affiliated to a central institution to be located where the co-operative or joint-stock bank is situated can pave the way in making yarn and weaving cloth in each village. As this district produces cotton there is no difficulty for supply of the same to each village. When the hands of the ryot are free from agricultural work in non-agricultural seasons he can advantageously engage himself in preparing yarn on his charka and send up the yarn to a central institution which in its turn will supply the yarn to weavers. Weavers may be paid daily wages for preparing cloth. The ryot may in that case pay only weaving charges for having his yarn made into cloth. The upkeep of this cottage industry depends on the willingness of the ryot to become a weaver in non-agricultural seasons. Every ryot is apt to learn a profession at the time of his boyhood, but not after that stage in life is over. If boys are trained in weaving in the village schools they will surely take advantage of that art in their after-life by resorting to weaving in non-agricultural seasons. If women employ themselves at charka for preparing yarn, men can advantageously engage themselves in weaving. All surplus cloth may be exported to urban areas if a demand is created for cloth. The key of success in an institution of this kind lies in organization, and heavy transactions and close supervision by a paid staff. Half anna commission per yard to the central institution—you may call it as central purchase and purchase and sale society—having jurisdiction over 10 or 15 villages with the co-operative or joint-stock bank tacked on to it for the purpose of supervision may bring a lot of money to enable the central institution to supervise individual village purchase, purchase and sale societies and to run them with success under a paid staff. The village ryot will not grumble that he is receiving less wages for making yarn or cloth because he is satisfied with getting something without keeping himself idle and earning nothing at all in non-agricultural seasons.

Small subsidiary industries allied or supplemental to agriculture existing in this district.—They are generally dairy-farming and cotton and groundnut ginneries for these two latter commodities have arisen in the district as the district produces them. These institutions do not suffer for want of money to run them as rich landlords generally undertake them either individually or collectively.

Dairy-farming is not done in a large scale though there are facilities in this district as it abounds with forest and pasture grounds. Ghee is exported to distant places from this district. In those villages which have forest panchayats and facilities of pasture ground each ryot family can have a she-buffalo of good breed. Local she-buffalos are not so good milk producing animals as Gujarat or Sind breed. If a ryot is supplied with that breed and interest at a low rate is charged for the amount lent to him and large pasture grounds are taken specially for the grazing of these animals, the industry of dairy-farming will thrive immensely.

The methods of securing working capital for small industries.—Funds for small industries may be got by encouraging thrift habit of the ryot. Funds for a central co-operative or joint-stock bank for a group of villages to enable it to issue long-term loans may not be forthcoming as long-term deposits are not available from a rural area. But it is possible to open

institutions on the nidhi system or to introduce homesafe deposits and to collect savings in each village and to send the collections to a central institution. If the thrift habit of the ryot is encouraged, lump amount is got every week into the village institution and again that institution in its turn can deposit the amount for a fairly long period in the central institution. In this way the central institution can get deposits from the group of villages over which it has jurisdiction.

A network of institutions spread over a certain area limited to a group of villages doing work in this direction of thrift, credit trade, joint purchase and sale and affiliated to a central institution which is financially able to maintain a staff to do close and intensive supervision over the small institutions will not only bring economic salvation to the rural population but also be instrumental in giving to it a better standard of living which may result in the acquisition of better physical health capable enough to resist diseases.

**Written evidence of M.R.Ry. B. S. BAINDOOR Avargal, B.Com.,
Sub-Deputy Registrar of Co-operative Societies, Bellary.**

I.—Agricultural credit and credit facilities for small industries.

1. The village agriculturist has still his strong tendency to obtain finances from the local sowcars for (1) expenses during cultivation, (2) for capital and permanent improvements and for other special needs, e.g., failure of monsoon, for land revenue, etc. This is due to the ever accommodating attitude of the village sowcars in time of need though at an exorbitant rate of interest. The rates of interest on advances for cultivation expenses and such other short-term loans repayable after the harvest are considerably higher than generally in the case of loans for capital and permanent improvements. The need of the village agriculturist for short-term finances every year is keen and his anxiety to secure local money just at the moment he requires (for the latter generally thinks about raising money at the moment required) for fear of losing his crops at great disadvantage, is generally taken advantage of by the village sowcars who judge the stars of the person and demand the rates of interest. The rate of interest for short-term finances is generally 12 to 25 per cent charged according to the status and influence of the borrower. The village sowcar never disappoints the ryot in financing and so the faith in the ready obligation of the village sowcar is still unfettered. The rate of interest charged on long-term credit is generally from 9 to 18 per cent according to the property qualifications of the borrower. The borrower does not find such a ready accommodation for long-term credit and he generally has to experience some difficulty in finding persons to accommodate him. The village sowcar who has tasted the advantage of short-term credit which revolves his money often and enlarges his income is not generally inclined to invest on long-term credit unless he has special advantages or persuasion to do so or unless he has capital over and above his short-term investments. The care taken by the sowcar in long-term investment on borrowers is considerably much and unless he is in a position to bargain to his advantage personal obligations on the part of the borrower or he trusts he is in a position of securing the properties mortgaged in due course, he will not generally oblige the long-term needs of his clients. The securities for long-term credit are sound generally, be they personal or property securities. If there is considerable difficulty for the ryot in getting long-term credit at reasonable rates of interest the sowcar does not generally insist on any security for short-term finances especially for advances for cultivation or other short-term agricultural needs though in some cases agreements to dispose of the expected produce on the part of the borrower at a particular rate or the market rate at a particular time are obtained in consideration of the moneys advanced. This is due to the confidence and vigilance exercised by the sowcar on the expected harvest, by which his demands are first met by the borrowers in preference to all other demands. Thus the village sowcar always earmarks the demands for his money first for short-term purposes and tries to merge his surplus capital in long-term credit. Once a village sowcar gives long-term loans, he is not particular to insist on punctual repayments for, he is satisfied that so long as his securities are safe, he need not bother himself with either principal or interest or bother the agriculturist which position the latter feels happy until the situation grows worse and he is threatened with litigation. Other than individual sowcars and a co-operative society here and there, there are no indigenous banks or other joint-stock banks in villages. The co-operative institutions which are generally manned by honorary persons who do not run societies efficiently in the manner they should, generally lack in security and enthusiasm to arrange for the free flow of money for the agricultural short-term needs of the ryot and if at all they at any time get money from the central banks in the name of either short or long-term loans, the amounts are purely absorbed for long-term credit, as the borrowing ryot knows the position of the societies and only wants to use the society's moneys for such long-term purposes for which he has considerable difficulty in raising credit elsewhere, either in the village or in its neighbourhood. The readiness with which

short-term credit is available from and the patience on the part of the village sowcar to allow considerably, more time to his long-term debtors, though to the latter's detriment, attract the agriculturists, though they get at a cheaper rate of interest in societies where they cannot get such concessions. This failure on the part of the co-operative societies to attract the needy agriculturist is due to various reasons. Firstly, there is no paid servant in the society to be held responsible for not doing his duty honestly. Secondly, the societies are not generally composed of persons who are all such as would make the cautious agriculturist feel sure, that he need not fear the unlimited liability. Thirdly, the present condition of the societies is such that those who are influential or powerful can meet their requirements even over and above their needs though others cannot secure even for the bare requirements. Fourthly, the want of education and the enthusiasm to remedy the defects in societies, and to use them properly to the advantage of all, is seen almost everywhere, as the societies, though in name democratic, are manned by either too powerful or too intelligent persons, to get rid of whom, there is considerable practical difficulty in the village. The agricultural loans given by the Government have not sufficiently attracted the ryot and it affords only long-term credit and that too on so many recommendations and there is considerable fear that the amount in full does not actually reach the borrower. The part played by the Imperial Bank's branch at Bellary to afford short-term credit on pledge of produce, etc., has attracted a few of the educated classes in the neighbourhood of the bank's seat. But the activities of one bank, one or two in a district, outside the village is not sufficiently attractive to the village ryot and so his progress or doom has been sealed in the hands of the local money-lenders. It is very hard to give any correct idea of the total amount of capital required for this district for various purposes of credit, but so far as I can judge, it will be not much to say that 30 lakhs of short-term capital and one crore of long-term capital may be necessary to free every agriculturist from his outside obligations provided that the agency through which this capital should reach the individual ryot is honest and impartial. The problem as to who this agency should be to take the responsibility for the just distribution of capital and for answering the Government for any irregularities for which the agency is likely to be punished seriously, is quite vexing. In the interest of the ryots, and in view of the mighty elements prevalent in the villages to combat outside credit, and to wreck the democratic institutions through the individual selfishness, it is suggested that some paid agency of integrity and honesty should be placed in charge of five or six villages and their societies with some powers to combat the local hostile and powerful elements in the villages and see that free flow of money required from central banks to societies and from societies to members is properly regulated. Any amount of money spent through non-official agency cannot satisfy the object in view so long as that fear and responsibility seen in Government servants is lacking in others.

2. The principal crops, especially commercial crops, raised in the district are sugarcane, cotton and groundnut. The other crops raised are rice and cholam. The latter two crops are disposed of by the producers to the capitalist merchants in taluk and district headquarters who dispose of the same by sale to consumers with their margin of profit through their commission shops. The commercial crops raised have to pass through a number of middlemen before they are exported out of the district. The moneyed middlemen engage themselves through their personal efforts and through brokers to buy cotton and groundnut in the villages only in the season on ready-money system. In a few cases, advances on interest are given to producers even before the produce is sold so as to have practically a lien on the produce at the time of sale. The dalal agents make their own profit and dispose of the same after getting groundnut decorticated or cotton ground to big companies such as Volkart Brothers, etc. In most cases, before even this sale is effected, the produce is bought by the gin-owners who are themselves also capitalists. Some of these gin-owners purchase the groundnut and cotton and after decortivating and ginning the produce respectively, dispose of the same to the exporting companies through their brokers. In a few cases, these ginning factories only decorticate or gin the produce and charge the producers for the cost of labour without purchasing the same. In such cases also, the produce is sold to exporting companies through their brokers. The exporting companies who purchase the stock as per quotations from their metropolitan and coastal head offices

ultimately export the same to their coastal branches as per directions from their head offices. With regard to sugarcane, these are sold to the capitalists or brokers who in their turn pass on the goods to the owners of crushing mills who make jaggery out of the produce. After the jaggery is prepared, it is exported through the similar agencies as in the case of cotton and groundnut, the difference being that the persons dealing with jaggery are entirely a different set of capitalists. Thus it is seen that enormous profits are earned by the various middlemen at various stages before the stock is exported. The profit so earned by the middlemen may be at the rate of 1 anna per rupee. The possibilities of forming pools and of co-operative effort in marketing produce, mean the creation of a strong financing institution with a net-work of branches managed by technically skilled and honest men throughout the district, all of paid service. The opposition of the capitalists and of big capitalist companies is too great to withstand and the financing institution must be prepared to shell out lakhs of rupees to the relief of the needy producer who cannot afford to await with his produce till the market turns favourable to him. There must be one honest working element at least for each five or six villages who should be able to educate the producers and to arrange for the sale of his goods through his branch at considerably more favourable terms than the brokers. Money in large sums must be supplied to producers at any moment they may require. The purchase of stock at rates reasonable in villages having regard to the market fluctuations, needs to be managed by commercially trained persons and their branches and central financing institutions should also be in a position to entirely eliminate the middlemen by taking their place with a nominal profit. This means a very costly and efficient management of both finances and the technical trade activities and unless the Government takes up the position, no other body or individual could tackle the management with honesty and success unless the latter is paid and under Government control. The loan and sale societies in the district now advance moneys to members and hold out their produce for a (favourable) market rate but the position of the producer and the consumer has remained all the same and is bound to be so, unless the various middlemen in various stages are removed and export on a co-operative basis is arranged. Since the exporting agency is always a middleman he has got good facilities as far as internal trade is concerned, now that the Imperial Bank of India and the co-operative central bank receive bills for collections and receive remittances at a reasonable discount. The Imperial Bank of India advances money on a large scale to ryots on pledge of produce and recovers the same from the sale-proceeds with interest. This has not been possible in all villages. A branch for each five or six villages means actual relief to the ryot so that he may wait till he could find a favourable market. A co-operative society entirely managed by honorary non-official workers has not been useful so far in this direction. To make the village co-operative society work as efficiently as an Imperial Bank branch means the employment of such technically qualified men in the village society and a strong head equal to the technical skill of a branch agent. Under such conditions, a co-operative society will not serve only as a village branch for agriculture and other finance but also an active agent for the purchase and sale of village produce. The existence of such ideal institutions in villages, and other federations for their common welfare, goes a great deal to improve the internal and foreign trade and remittances of money by the extensive use of bills, cheques and other negotiable instruments. Pending the structure of this village popular bank, advantage of the negotiable instruments and the banking facilities, are being realized by the capitalist middlemen in urban localities in order to promote their own internal and foreign trade activities. Any amount of reduction of duty on negotiable instruments will not extend the use of the same to the village agriculturist and improve the rural conditions economically but it will be a further source of profit to the capitalist middlemen.

Hundis emanating from this locality are held by middlemen generally. They are rarely discounted in a provincial centre. The system of hundis though prevalent and extensively in use in the country, it is now only the monopoly of the few capitalists with the decadence of the equal distribution of wealth and joint trade ventures in villages. As regards the system of pledging various kinds of instruments of ownership of goods and produce employed for raising money during the course of marketing, it can be said

to be rare in use here. In villages such urgent demands from influential and desirable persons are met without security, only on confidence while in the town instead of the instruments of ownership, tangible security in the shape of jewellery and gold is generally insisted upon. In the former case, it is the confidence that raises credit while in the latter, it is quite the reverse that will not make the capitalists give enough value to the instruments of ownership.

3. The value of the land per acre which is used for raising the dry commercial crops ranges from Rs. 40 to Rs. 200 per acre according to the nature and fertility of the soil while the value of land per acre which is used for raising wet crops such as sugarcane, rice, etc., ranges from Rs. 300 to Rs. 1,000. The important factors that affect the value of land in the market are—

- (1) fertility of soil,
- (2) rainfall and irrigation sources, and

(3) the proximity of the land to the places where cultivating tenants are prepared to take up tenancy.

The value of land in purchase by private negotiations is generally higher there being long and complicated negotiations to the advantage of both the purchaser and the seller, while the value of land purchased on the event of sale by either court decree or Government auction for non-payment of revenue is in many cases undeservedly lower. The failure to raise credit by the owner to avert such contingencies, is generally taken advantage of by the few capitalists available in the particular locality in which the land is situated. The capitalists who are abroad are not anxious generally to purchase unless under special advantageous circumstances when slight competition may bring about the sale price to a reasonable rate. The local sowcars in villages being few and there being amicability between each other, generally avert all competition unless the particular land is specially fertile and yields at least about one-fifth of such sale price annually. Even with this competition between village sowcars none of them go to the extent of raising the sale price beyond the reasonable market rate as there is generally a tendency among sowcars in not withstanding competitions even to the extent of reasonable sale price.

4. With the scanty rainfall, year in and year on and the few irrigation sources available the land value in this district is considerably lower in most parts and the fertility of the soil is generally impaired by the ambitious owners who raise the commercial crops such as cotton and groundnut and do not in turn sufficiently spend to maintain the normal fertility of the land by means of agricultural manure, etc. Due to the above uncertain conditions, there are frequent fluctuations in land value in the market and the scheme of land mortgage bank is not tried in this district. The general apprehension of the fall in land value which is regulated by so many uncertain factors impairing the security is not likely to attract sufficient long-term investments for over 20 years in the shape of debenture purchases. This practical difficulty has long been a subject of deep concern in the Co-operative Department. This problem solved, there is no doubt that a land mortgage bank would constitute a great deal to recover the agricultural indebtedness in this district. Funds from the central institutions and the Government will be the only working capital if a land mortgage bank is to be organized as deposits and debenture-holders are hard to be secured for the above reasons. The guarantee for debenture-holders by Government may solve the difficulty to some extent but there is reasonable diffidence to hope that enough debenture-holders will be available locally in this district.

5. It is quite necessary to obtain an accurate estimate of the existing agricultural indebtedness and to devise means of immediate redemption, till the completion of which a sense of responsibility of self-improvement and thrift and economic betterment cannot possibly be created. For agriculturists in general are debtors in desperate circumstances and attribute their conditions to the doing of merciless God, little relying on human possibilities. To estimate accurately the extent of rural indebtedness, a wide and detailed enquiry in villages has to be begun. A rough estimate will not hold good

when the question of estimate is based beyond a village and even then the conditions from village to village will be varying. The only possible means of ascertaining the estimate will be by the appointing of special enquiring officers who ought to be assisted by the village authorities in all possible ways. Though the rough estimate cannot possibly be given, the general study of rural conditions may bring to light that the amount of debt contracted by the general society without any specific charge will be about 45 per cent of the total indebtedness while 35 per cent may be on registered mortgages and 20 per cent on movable properties pledged. About 60 per cent of the total indebtedness may be attributed to having been incurred for the discharge of prior debts which have often swelled to two or three times the original amounts as a result of non-payment. About 30 per cent may be due to famine and other kinds of distress while 10 per cent due to marriages and social occasions. This is only a rough estimate. The debt is largely, i.e., nearly 70 per cent due to the professional money-lenders, 15 per cent to the co-operative societies and the balance to the Government and indigenous bankers. The rates governing the grant of the loans vary from 8 to 30 per cent according to the influence and the status of the borrower and the methods of enforcing repayments have been many. The agriculturist is generally disturbed from his agricultural avocations. He will not be permitted to do anything till he pays up at least a satisfactory amount or produces additional security which is likely to get irredeemable. Services are insisted on in many cases for cheap wages to be credited towards debts. In very few cases, courts are resorted to. The debtor is generally seen in most cases inclined to repay a debt which carries the highest rate of interest and he is indifferent to keep up other obligations. As a result of incapacity and also irresponsibility and extravagance on the part of the modern agriculturist, indebtedness has multiplied by leaps and bounds and it is no wonder that under the penal exactions of the probertial village sowcar, efficient farmers degenerate into tenants and into coolies by degrees as the properties pass into other hands. But the ardent desire of an agriculturist in his avocation even under the most adverse circumstances has not decreased and the incentive for production has not been affected in him except in a few cases where addicted to bad habits of drink to an enormous degree, a few have degenerated into lazy and immoral gangs.

6. There are numerous cotton ginneries in this district. It has already been pointed out that the ginneries gin cotton and charge for the cost of labour while certain rich gin-owners purchase the produce, gin the cotton and dispose of the stock to the wholesale companies. The cost of labour charged by the ginneries is not much especially in view of the numerous ginneries which have sprung up in competition. Every 10 or 12 villages have a ginnery in their neighbourhood and it is a matter of advantage for those agriculturists who, without disposing of stock only, get the cotton ginned for hire and reserve the same till the market holds out favourable rates. There are a few rice mills in the district. Regarding hand-spinning industry, it is not worked on a wider scale. The foreign yarn is used also by many weavers and their productions are consumed in the villages only. Weavers' societies organized in this district could not work well in this direction, their attention being confined to credit activities and there being no working material to develop non-credit activities. The evil of drink especially among weavers is very rampant and there is no economic emancipation for these classes till the evil is eradicated. The weavers do not generally find a favourable market in view of the machine-made cloths abundantly available at cheaper rates. A study of the failure of some weavers' societies shows that in these parts, the weavers require abundantly to be financed over and above their worth and the amounts recovered from the sale-proceeds of their products. The industry is gradually failing to promote the weavers who have no other subsidiary professions. The weaving co-operative society properly financed (which is always a doubtful question) and efficiently managed with the assistance of a departmental subordinate may mend matters a little and the complete redemption of indebtedness among weavers is an impossibility, so long as these are addicted to drinking. They have got good earning capacity but they are unwilling to get themselves free from the evil.

7. There is no competition between co-operative banks and joint-stock banks in this district. The latter are but few. Even the credit system of the village merchant is not much impaired. The position of the borrower

has nevertheless remained the same as before. It is already discussed about the short and long term needs and the co-operative finance. The position is clearly this. The difficulties of the unlimited liabilities are not realized by the individual members of a co-operative society. The members are not sufficiently educated. They are guided by the local powerful and influential elements who have got into the society. At the whim and fancy of these potentates, all sorts of men and women have got into the society irrespective of their character and worth. Since the society which is composed of such men cannot work well and as such could not finance members at their needs, the borrowers have not only tapped all loans available through the society but have also continued to borrow with their old patrons—the village sowcars—with the result that the agricultural indebtedness has increased. Most of the societies are like this. The democratic ideals of self-Government have been misused in most cases for selfish ends with few exceptions. Unless the man who manages the society is paid sufficiently well, there is no scope for creating interest in the workers. Though the question of honorary work among a few highly literate men is commendable it is not the case in 90 per cent of the cases. A paid secretary for each society answerable to the department for all mistakes, will no doubt improve the village society on better methods. The special exemptions and other concessions may be useful then. Though the higher ranks of the Co-operative Department are fairly paid, the Inspectors and audit staff are poorly paid and ill-equipped without even a peon. Ill-paid and discontented workers cannot be expected to work up societies enthusiastically.

II.—Indigenous banking.

Except private individuals and a few firms in big places such as taluk and district headquarters there are no other agencies of indigenous banking in this district. The main function of these private individuals and firms is to finance agriculture and trade. In view of the scanty development of industry in this district, no finance is invested in this direction. Since the number of individuals and firms is too great to be counted, it is not possible to know the extent of capital, the value of their business and their expenses without a detailed enquiry being made in each village by a competent authority. Though the relationship between one indigenous bank and another is not strained in general, it cannot be said to be quite amicable. There has been a hostile attitude between the individual banks and joint-stock and co-operative banks. As things at present stand, the Imperial Bank is cordial to the indigenous banker and he can easily rely on it for his resources whenever necessary.

Except pro-notes and a few cases of hundis, no other credit instruments are in use among indigenous bankers in the district. The indigenous bankers give loans whenever their clients desire but there is no cash credit system adopted among them in the district. The banker will always have some money in the till and invest a major portion of his money in short-term loans leaving the surplus for long term. With the rotation of the short-term money he is always in a position to oblige many. The individual banker does not rely on other money, but on his own and such persons are too many to give a rough idea. The rates of interest generally charged will be from 8 to 30 per cent according to the circumstances and status of the borrower. The enforcement by legislation of 9 per cent as the maximum rate of interest on loans making all loans bearing a higher interest null and void both on the loans to be issued hereafter and on the loans outstanding at present, may prevent further growth of indebtedness. When the rates are uniform throughout, the debtor will do justice to all his creditors without preferring one to the other. If under those circumstances, the co-operative banks or joint-stock banks were to lend money at 5 or 6 per cent for agricultural improvements, better agricultural implements, etc., the position may be bettered. Though the exactions and trouble given by the indigenous banker are not liked by the people, still the latter one is popular in the absence of an equally obliging institution in place of the indigenous banker. The conduct of these indigenous bankers with their clients is generally not satisfactory though in rare instances, persons of influence are dealt with on sound lines.

If by legislation, the loan on usurious rate of interest is put down there is every likelihood of the indigenous bankers who are individuals, joining the co-operative societies in their work or investing their amounts

in co-operative societies which may help a great deal the people in need provided the societies are managed by well-paid responsible persons. The indigenous bankers never give amounts on insufficient security and the interest they charge at heavy rates will amply repay their expenditure in connection with legal expenses, management charges, etc.

As already suggested in this memorandum, a well-managed village society by paid agency and controlled by a more competent body than the present co-operative union, may better the situation. Or a branch of the type of the Imperial Bank for each five or six villages, will render a great deal to popularize banking systems among all classes of people. A central bank of the type of co-operative central banks or Imperial branch banks at the seat of each taluk headquarters to control and regulate the free flow of money through the branches referred to above or the village co-operative banks, will ensure the better working of the banks in all places. The system of representation on the management both on the village bank or group branch banks or the central banks at each taluk may be on the same lines as that of village co-operative society and that of the co-operative central bank. The management must in no way be honorary anywhere. The proposed village bank or group branch banks will certainly inspire the confidence of the indigenous bankers who may like to invest their moneys and also of the agriculturist, the tradesman and the industrialist who may be sure of obtaining money in time of need.

In my opinion, the capital of the indigenous bankers totally is used in the village and in its neighbourhood and any surplus after meeting the demand is invested in trade undertaken by the self-same individuals and so I do not think that large amounts of money are flowing to the provincial capital either for long or short periods except in the case of big capitalistic tradesmen in big commercial places such as Bellary, Hospet and Adoni whose moneys will always be flowing to and fro from district to provincial or from provincial to district centres.

III.—Investment habit and attraction of capital.

The investment habit, as has already been pointed out, is prevalent only in large capitalists and moneyed middlemen who largely inhabit the towns such as Bellary, Hospet and Adoni. In the village and its surroundings the habit is totally absent as the villager is generally pooling all his resources to satisfy his yearly debt to the sowcar. Further, he has not or is not likely to get into the habit of saving and investing the same, unless the village bank is working in such a satisfactory condition as to attract him. The postal cash certificates, the savings banks and other financial institutions have been attracting the middlemen only in towns but not in villages. The general tendency on the part of the villager not to put in his money in institutions outside his village is still very strong. If the security is guaranteed by the Government, there is no doubt that a properly run village bank will go a long way to cater to the needs of the villager and educate him in the advantages of thrift.

The villagers in this district who come in possession of capital by sale of produce immediately dispose of the same for their domestic expenses and meet all chronic debts while the middlemen utilise their amounts in trade or in giving loans to people. Very few invest amounts in banks. The former, most of them being subjected to chronic indebtedness are not at all in a position to lend moneys to their fellow agriculturists except in rare cases where cultivating land-owners advance moneys to their servants or coolies in order to monopolise their services and co-operation to the advantage of their crops. The surplus if any with a few farmers who have no debts is generally invested in the purchases of lands or in making gold ornaments. As was already discussed, the cheque habit is prevalent among the moneyed middle classes in urban areas where there are banks and the abolition of stamp duty on cheques has been advantageous only to them. That the banking and the investing habit in India is of very slow growth in India has become a practical truth. This is due to want of sufficient scope afforded to the people in villages and not due to any other reason. The opening of the Imperial Bank's branches recently in a few urban areas has no doubt educated the public in these urban areas. But a model village bank in each village well-managed is the only way of propaganda by practical demonstration and unless such a position is established in the village, there is no scope for economic betterment of the rural population in India on whose uplift lies the prosperity of the country.

**Written evidence of M.R.By. K. SUBRAHMANYAM Avargal,
M.A., Sub-Deputy Registrar of Co-operative Societies in charge
of the Co-operative Training Class, Anantapur.**

I.—Agricultural credit and credit facilities for small industries.

1. *The present system of agricultural finance in the district.*—The present system by which the agriculturist in this district obtains finance for cultivation expenses, capital and permanent improvements and other special needs such as payment of land revenue, etc., consists of the village and professional money-lender, the well-to-do landlord, Government, co-operative societies and an agency of the Agricultural Bank of India with a small number of sub-agents scattered in some taluks.

Village sowcar.—The professional money-lenders constitute the familiar traditional agency near at hand to the agriculturists always accommodating so long as his customer is solvent. He advances money generally for expenses during cultivation for seed, manure, etc., ceremonial purposes or purchase of foodstuffs or payment of kist or in times of failure of monsoons. Sometimes loans are also advanced for improvement of land. Loans are advanced generally for short periods repayable in one lump on the security of landed property or promissory notes or sometimes on trust or personal standing of the borrower. Most of the small loans for current expenses are repayable after harvest and fresh loans are again taken. Some loans become more or less permanent mostly because the borrowers are not in a position to repay.

Defects of the system.—But it must be confessed that the system of finance by money-lenders has been usurious, and the smaller agriculturists and pattadars who constitute the largest section of the agricultural community in this district have much to lose under this private money-lending. The rates of interest are indeed very high, specially on loans given for seed, foodstuffs, etc., and vary in proportion to the security offered by the borrowing agriculturists generally from 9 to 36 per cent. The smaller the loan, the higher the rate of interest. It is not merely the high rate of interest that is the regrettable feature of this system. The *several obligations* by which the borrower is bound by custom to the money-lender must enter into a calculation of the price of money obtained by agriculturists. Invariably the money-lender or the sowcar happens to be the village merchant and dealer. It is common in such cases that the borrower is obliged to sell the produce immediately after harvest to him at a price fixed arbitrarily by the merchant without reference to the level of prices then prevailing in the market. The manual services which the village custom requires the borrower to render to his sowcar without remuneration are yet another factor which must enter into the value of the credit supplied by the money-lender. The illiteracy of the agriculturist borrower of the village and the absence of account-keeping on his part lead to the adoption of very objectionable practices by the money-lender such as, for instance, failure to credit payments made to the account of the borrower, etc. In short, the system—lacking as it does any element of control over the borrower—is not calculated to further the economic interests of the borrower: it has been proving ruinous to him.

Landlords and agriculturist lenders.—A few well-to-do landlords also supply credit to the smaller agriculturists, sometimes even by borrowing elsewhere. Though this is a little better than money-lending by sowcars, being less usurious, and the landlord is more sympathetic, it is not free from abuse. His power and prestige must at any cost be secured by having a large number of village people at his disposal. Considerations of his importance influence the advance of money rather than profit-seeking from usurious rates of interest. Nevertheless, the lifelong dependence of the borrower upon the landlord and a variety of free services to be rendered to the latter during agricultural seasons are features closely associated with this system. It is not unusual that the smaller agriculturist borrowers are obliged to sell their produce to the apparently obliging landlord; and in this case, the borrower is deprived of a margin of the 'fair price' of the produce which ought really to go to him.

Dealers and trades-people.—In addition, there is a number of trades-people and dealers who frequent villages advancing money on growing crops on conditions detrimental to the interests of the agriculturists. Some others again allow agriculturists to purchase livestock on credit on conditions not favourable to the purchaser.

Whatever may be the manner in which money is got under this system, the point is clear that these agencies, either the money-lender, the merchant or the landlord, are concerned with their own business and their own profit rather than with helping the agriculturists. There may be cases when dealings with these agencies may be good so far as they go, but there are more cases leading to the victimisation of the agriculturists. This is not to say that under the present system of village economy either in this district or in others that these classes do not render necessary services but the point is that the system is bad. The system is at present a dangerous necessity. For instance, an agriculturist who barter a future crop for seed or other requisites taken on credit is entirely in the dark as to what he is paying for this measure of credit, but from his point of view an even greater disadvantage is involved. The farmer loses his freedom in marketing; he is often compelled to sell at a time chosen by the purchaser who will naturally select the moment most favourable to himself and least favourable to the farmer. With the wide fluctuations in agricultural prices, this may obviously involve a considerable loss in profit.

The extent of indebtedness to these classes.—There is a belief that the indebtedness of the agricultural classes to the money-lenders, dealers or merchants and landlords is considerable. No statistics are available so far as this district is concerned. The proportion of debts of the agricultural classes from these several available sources may differ from place to place and any generalisation is not possible. I will refer to this point again in connexion with question No. 5.

State loans.—The next source from which the agriculturists in the district get money for permanent improvements or current expenses connected with agriculture in times of need is Government. Loans are advanced by Government to agriculturists at 6½ per cent under the Land Improvement Loans Act for a maximum period of 30 years and the Agriculturists Loans Act for a period not exceeding 10 years. The amount so advanced in this district and outstanding under the two Acts is furnished below:—

	1927-28.	1928-29.
	RS.	RS.
Land Improvement Loans Act—		
Advances	19,942	17,933
Outstanding at the end of the fasli year	5,16,284	5,03,998
Agriculturists Loans Act—		
Advances	30,200	29,508
Outstanding at the end of the fasli year	5,13,331	3,31,946

The amount advanced under the Land Improvement Loans Act is rather small and is significant of very little improvement effected on agricultural lands.

Defects.—It is true that the system of Government loans has done much good to the agriculturists. But then the system is not free from objections. They are as follows:—

(1) Vague charges of corruption among the subordinate revenue officials are not infrequently made;

(2) It is pointed out that Government cannot find *all the money* for the requirements of the agricultural classes; and

(3) There are objections to the *State acting as lender*; the system does not encourage a healthy spirit of self-help and breeds amongst the people a feeling of dependence for ever upon the State. This may even result on occasions in dissatisfaction and discontent among agricultural classes against the State when and if, for any reason, their requirements are not adequately satisfied or there is room for complaint. Nevertheless, the Government loans have done some good so far and it may be obviously difficult to dispense with them altogether for some time to come, in view of the paucity of well-knit credit organizations in villages.

Co-operative credit societies.—These form another important source from which agriculturists have been getting credit facilities in the district. The number of agricultural credit societies in this district on 30th June 1929 was 462. The number of members, loans advanced by the societies and other particulars are given below:—

Agricultural Credit Societies.

	1927-28.	1928-29.
Number of societies	458	462
Number of members	25,411	25,187
	IN LAKHS.	IN LAKHS.
Loans outstanding and due by members ..	17.97	16.99
Working capital	21.27	20.29

Non-agricultural Credit Societies.

Number of societies	17	17
Number of members	3,512	3,639
	IN LAKHS.	IN LAKHS.
Loans outstanding and due by members ..	3.73	4.25
Working capital	4.45	5.06

Co-operative credit has been of considerable help to the agriculturists in the district. The movement has yet scope for considerable expansion; so far only a small percentage of the population of the district has been at all affected by the movement.

Defects.—However, the movement here, as elsewhere, is not free from defects. The Townsend Committee has so recently investigated into the working of the movement in this Presidency. The general causes referred to by that Committee for the bad working and in some cases the stagnation of societies hold good in respect of societies in this district. Reconstruction of societies should follow the lines indicated by the Committee on Co-operation.

The Agricultural Bank of India, Anantapur agency.—This bank registered in Bangalore and with headquarters at Madras has recently appointed an agent at Anantapur and a number of sub-agents in some taluk headquarters. The object of this bank is said to be the provision of credit facilities for agriculturists. So far the work of these agents seems to consist in the collection of share capital from intending borrowers. Loans of a few thousands appear to have been given to the agriculturists in the district.

Unsuitability of the agency.—It is difficult to conceive how this bank will attempt to finance agriculture. Proximity between lender and borrower is an essential requisite of a sound system of credit. Apart from its other defects, the agricultural bank with its centralised constitution has no organized local machinery to examine the suitability of applicants for loans or to control the credit supplied to the agricultural classes. This reminds one of the agricultural bank of Egypt and the fate which overtook it in its attempt to supply agricultural credit to the small Egyptian peasants. I do not consider that much good will result from the Agricultural Bank of India or its agency at Anantapur. This may appear a hasty prediction, but I am fortified in my belief by the history of the working of such institutions elsewhere.

Indigenous banks.—There are hardly any indigenous banks of the type that exist in the southern districts of the Presidency. There are a few 'nidhis' or loan funds in urban centres.

Lack of co-ordination among the various credit agencies.—The defects in the present system and the reasons therefor have been suggested in the preceding paragraphs. There is no co-ordination at present among the various credit agencies referred to. It is a matter of common knowledge that agriculturists in this district borrow from as many agencies as possible and the several agencies concerned are not quite aware of the borrowers' dealings with one another. Most agriculturists, for instance, borrow from the village sowcar, a co-operative society if there is one, possibly from Government under the takavi system, and all the time one agency may not be

quite aware of their borrowings from another. The result is the borrowings far exceed the normal repaying power of the agriculturist borrower and if years of agricultural scarcity intervene, he is simply overwhelmed and fails to keep up to his obligations to all concerned. Moreover, the security for the loans advanced is weakened. For instance, if one borrows from Government on the mortgage of landed property apparently for a productive purpose, another loan from a co-operative society on personal security and, say, a third loan from the money-lender on a simple pro-note against his general assets there is no knowing what the security is really worth in effect in the event of default by the borrower in respect specially of sums due to the two latter agencies in a district, of recurring agricultural scarcity. It is easy to conceive what forced sales of land would amount to under such circumstances. The position to which I just referred has been effectively put as follows:—

"A ryot borrows on a pro-note Rs. 50 for the purchase of a bull, spends the amount on some other object, tries and succeeds in getting a loan from Government for purchasing a bull (which perhaps he already owns) is overtaken by an adverse season, when he borrows again from the first individual for the purchase of gram and for the payment of *takavi*; later again, as his daughter attains marriageable age, he borrows and celebrates the marriage."

Money-lenders.—There are other considerations which should influence the systematisation of the several agencies. The treatment of money-lenders requires consideration. It has been already submitted that in the present day village economy, the money-lender fills a necessary, though dangerous, gap. He has rendered services in the past and he will continue to render them in the future too. It is difficult to abolish his profession. In other words, we have to reckon with him as an important economic factor in the village life and to see (a) how best he can be absorbed into the other existing agencies and if this is not possible to consider; (b) how best we may minimise the severity of his profession which is now so much felt by the agricultural community.

Money-lender and co-operative societies Relations. (a) The MacLagan Committee suggested that a co-operative society (when formed) must, wherever this may be possible, 'induce the money-lender to lend through the medium of the society by becoming himself a depositor or to convert a previous debt due from a member into a deposit with the society at a reduced rate of interest and with possibly a reduction also in the capital amount of the claim'.

(b) It is also necessary to ascertain the debt which a member of a society owes to the money-lender. A provision in the Act on the following lines deserves consideration:—

"A registered society shall have the power to serve any named creditor of any of its members or of any applicant for membership with a notice, calling upon him to submit within one month a written statement of his claim duly verified according to the provisions of the Civil Procedure Code. Such statement shall include a recital of the circumstances under which the debt was contracted, the amount of the principal debt, the interest agreed upon, and the security pledged, if any, and the total due and the dates of repayment as agreed upon. The notice shall be in writing and shall be served by the Collector on application made to him. In the event of the creditor failing to submit the statement required within one month he shall be deemed to have received full satisfaction of his claims as against the said member or applicant for membership. The submission of a wilfully false statement of account shall render the creditor liable to prosecution under the Indian Penal Code."

(c) Another suggestion made is about the advisability of a provision forbidding members of a co-operative society to resort to money-lenders for loans after admission. This course has not been recommended by the MacLagan Committee as possible of adoption because in their opinion any rule to this effect would certainly be evaded unless steps are taken by co-operative societies to finance the members adequately and promptly. This may not be possible for societies to do just at present with their limited resources.

(d) *Money-lenders' Act*.—The other alternative is to minimise the severity of the practice of usury by money-lenders. It is held that the Usurious Loans Act is a dead letter and much advantage is not taken of its provisions. I am not familiar with the working of that Act. Steps may be taken to remedy the defects in the Act, if any disclosed on an enquiry into the working of the Act and a more general application of the Act may be ensured. In addition to this, the passing of Act like the Money-lenders Act said to have been introduced in the Punjab to control the operations of money-lenders by enforcing the use of regular books of account and by insisting that the borrower should receive copies of all entries relating to transactions between him and the money-lender, may be undertaken.

The Money-lenders Act of 1927 passed by the British Parliament is also pointed out for the direction in which reform has to take place. The objects of this Act are said to be as follows:—

- (1) All money-lenders shall take out a licence;
- (2) compound interest shall be prohibited; and
- (3) the money-lender shall, on demand by the borrower, supply information relating to the state of the loan and also copies of documents relating thereto.

It is for consideration whether these principles may not with advantage be embodied in an Act of the local Government. The matter requires a more serious consideration by legal experts.

(e) *Legal restrictions on alienation of land and freedom from execution*.—I beg also to point to the recent tendencies in agricultural legislation in western countries on the subject of what is come to be known as the 'small family property'. Steps are being taken to promote and protect the rural small property. The object of these measures is to ensure the land worker a house and a plot of land sufficient in size to support him and his family so that the minimum necessary for existence may be guaranteed and rural families prevented from leaving the country and settling in the towns. This is possible of achievement only by ensuring the inalienability of homestead lands and their freedom from execution. It is true that it may offend against the juridical concept of the liability of the debtor towards his creditor. But the matter has to be looked at not from the point of view of private law but from grounds of social policy. Western countries have gone further and imposed limits on the value of land to be owned by a family. In the existing conditions in India drastic legislation of that sort may not be expedient. The promulgation of an Act like the Punjab Land Alienation Act for this province deserves consideration. It is said that under that Act the area of agricultural land under mortgage has decreased. I beg to refer to this aspect of the question again in dealing with question No. 5 of the questionnaire.

Apprehensions groundless.—It is easy to apprehend that action on these lines may limit the facilities for credit to the agriculturists especially when the place of money-lenders may not be taken up by other agencies in the near future. While the fear is justifiable, it is pointed out that the results apprehended may not in effect follow for two reasons: (1) co-operative credit is gradually spreading in the villages and (2) the money-lender must invest his capital and for a long time to come he may still have honest business in supplying the legitimate needs of agricultural operations. Instead of encouraging extravagance and promoting unproductive debt the money-lender may divert his capital in more productive channels of agricultural progress.

The well-to-do landlords—Their duty.—They must take a more liberal view of their duty to the less fortunate of the agricultural class of the village. They have to realize that money has an individual as well as a social use. Instead of using their resources for perpetuating the dependence of the less well-to-do agricultural classes and strengthening their hold on them, they must use their surplus money in liberating them. The co-operative movement offers a safe field for investment and the development of mortgage institutions in future affords opportunities for investment of their surplus or unused funds. They will be rendering a distinct service to agriculture in this way. This service on their part is however dependent upon a general awakening of village life and village consciousness.

*Government loans (Takavi system).—*Loans under the takavi rules have been, as I submitted already, doing some good to the agriculturists. Objections against the system have been referred to. The grant of loans by Government under the two Acts appears necessary for a long time to come, at least till a time when the system may be replaced by the spread of co-operative movement and land credit institutions.

The following suggestions are submitted for consideration:—

(a) Complaints are heard sometimes that there is *delay* in dealing with applications for loans. Scrutiny of applications, security offered, etc., do require time and delay cannot entirely be avoided. Wherever possible, attempts may be made to dispose of the applications as promptly as practicable and to minimise the delay.

(b) With regard to charges of *corruption*, it is difficult to suggest any method by which it may be prevented because of the difficulty of proving the allegations. The Local Government appear to exercise as much care as possible in this respect.

(c) There is a cry also amongst the people for reducing the *rate of interest* on the loans advanced by Government. It is for Government to consider whether anything may be done in this direction. The rates of interest are governed by the conditions in the money market and the rate at which the Government raises loans. This is purely a business proposition and no businessman would suggest that Government should reduce the interest rates much below the market level. There are risks also in any considerable reduction of rates of interest. For one thing, low rates of interest would give the agriculturists a false idea of the market price of credit. For another, it may also encourage extravagance. There is already a fear in some quarters here that loans are not always diverted for the productive purpose for which they were borrowed in spite of the supervision exercised by the subordinate officials of the Revenue Department. I am afraid a further reduction of the rate generally may encourage this tendency. The peculiar economic conditions of this district, however, may require a special treatment and it is for the Local Government to consider whether in view of the very low agricultural returns in this district, the existing rates of interest may not slightly be reduced. Else, the question of *varying the rates of interest on loans* advanced under the Land Improvement Loans Act and on those advanced under the Agriculturists Loans Act deserves consideration. Interest on land improvement loans may be slightly reduced.

(d) The *period of loans* advanced under the takavi system is, I think, adequate and no further extension appears necessary and instructions may be issued to grant loans for long periods within the maximum period.

Government and co-operative societies.—It is difficult to suggest any line of co-ordination between Government and the other agencies. In the neighbouring Province of Bombay a portion of the funds available under the Land Improvement Loans Act is being advanced to co-operative institutions to be lent to the members of agricultural credit societies for purposes recognized by that Act. As the loans advanced under that Act are for purposes of land improvement, the village credit societies may not perhaps appear a suitable agency through which Government may make funds available to agriculturists. Whether the land mortgage banks that are being formed in this Presidency constitute a proper channel for this purpose is a matter which requires consideration.

Co-operative credit societies—Lines of improvement.—As I submitted already, the Townsend Committee has reviewed the working of the movement and suggested lines of improvement. If the recommendations of the Townsend Committee are given effect to, much good will result. Reconstruction and revival, wherever possible, or liquidation of dormant and bad societies should be taken up immediately and the movement set on sound working order. There is need for an intensive education of the people of the district in the principles and practice of co-operation, for stiffening the control and ensuring intensive supervision over societies and for bringing about better methods of business. The real function of the ordinary village credit societies, namely, the supply of short-term personal credit for small agriculturists with small needs and limited resources for current productive agricultural purposes, and the financial limitations of these societies, the risks attending upon an attempt to

advance mortgage loans for long-term purposes—these must be impressed upon societies. This limited function of the ordinary credit society has not been sufficiently appreciated and the result has been financial confusion. The advances in these societies must be restricted to short-term loans extending to a year for the current working capital of agriculturists and 'intermediate' loans running for about five or six years. Loans exceeding that period should be left over to other mortgage credit institutions. It is on lines like these that reform may be effected in the co-operative credit societies and the anxiety caused in respect of the increasing overdues in societies relieved.

Some suggestions for effective administration of co-operative societies.—It is necessary that stringent provisions should be made to ensure the sound working of co-operative societies. Laxity of control in financial or administrative matters is not conducive to the well-being of the co-operative movement. The Co-operative Societies Act may be amended on the lines suggested by the Townsend Committee. In addition, I would submit in particular that the following provisions be made in the Act or rules or by-laws as the case may be, necessary legislation being undertaken for the purpose:—

(1) *Liability of panchayatdars and members for negligence.*—The Registrar must be given power to assess damage against delinquent members and declaring default, wilful neglect or wilful furnishing of false information by a society, officer or member as an offence under the Co-operative Societies Act. Provisions similar to those contained in sections 50-A (power of Registrar to assess damage against delinquent promoters, etc.), and 60 (offences, i.e., (a) default by a society, officer or member, (b) wilful neglect by a society to furnish information, (c) wilful furnishing of false information and (d) disobedience of summons, requisition or order) of the Bombay Co-operative Societies Act may be got inserted in the Co-operative Societies Act. In Germany the committee of a society are jointly responsible for any losses sustained by the society by their not exercising the "prudence of ordinary business men."

(2) *Execution of decrees.*—As recommended by the Townsend Committee, a special staff may be employed for execution and its cost recovered from defaulters. Officers authorized by the Registrar in this behalf may, on the application of the society concerned, be empowered to recover overdue instalments of loans by the distraint and sale of the defaulters' movable property, as if they were arrears of land revenue. The existence of this power will itself stimulate prompt repayment.

(3) *Intervention of Registrar in certain matters.*—The Registrar may be empowered to rescind any resolution or action of an officer or a committee or society which in his opinion contravenes the by-laws of the society or the principal that the discussion or propagation of controversial opinions of a political or religious character must be entirely excluded from the activities of the movement. Also, he may at his discretion, cancel the election of any director or office bearer of a society who is, in his opinion, unsuitable or unfit to be a member of the Board of Directors or to hold office.

(4) *Attachment before award.*—Provision may be made in the Act for attachment before award of the property of a party to arbitration in the event of an attempt on the part of such party to dispose of the whole or any part of his property.

I have submitted a few considerations for better co-ordination of work between co-operative societies and other agencies providing agricultural credit in the preceding paragraphs.

The Imperial Bank of India and joint-stock banks.—As I submitted in an earlier paragraph there is no joint-stock bank of any importance except an agency of the Agricultural Bank of India, Madras, from which I do not expect much good to come out. The Imperial Bank of India has no branch in this district except an out station at Tadpatri to which I will refer under the head 'marketing of agricultural produce'. The Imperial Bank of India has been, however, rendering service to agriculture by allowing an overdraft to the Anantapur District Co-operative Central Bank as to other central banks on condition that it might be used as cover for deposits or for short-term loans not exceeding twelve months.

Anantapur district.—The problem not entirely one of credit—its liability to recurring famines.—I may at this stage beg to submit a few general observations with regard to this district. It is necessary to appreciate, in considering schemes of agricultural improvement of the people of this district generally, or of credit facilities in particular, the peculiar economic conditions of this tract of the Presidency.

Land and its condition.—The soil in this district composed of black cotton, red loam and red sand is very poor and even the black cotton soil is inferior in fertility to that in Bellary district and the assessment is generally lower than that in the neighbouring districts. A large percentage of the assessed dry lands in the central taluks pays a very low assessment, as low as four annas and two annas per acre. It is said that "over a great part of these taluks the poverty of upland soils beggars description."

Seasons.—The district, consisting as it does vast areas of dry land, mainly depends upon south-west and north-east monsoons. Poverty of soil is itself an unfavourable factor in the agricultural conditions of the district; uncertainty of monsoons adds insult to injury. The rainfall of Anantapur is lighter than that of any other district in the Presidency excepting perhaps Bellary and averages under 23 inches annually, and in the three central taluks it is about 20 inches. Being situated in the central Deccan Plateau it does not have full or at least partial benefits of either the south-west or north-east monsoons. Rainfall in the district is not only uncertain and precarious; but even when there is rain, it is scanty and falls in insufficient showers which dry up soon. The large dry cultivation in the district requires timely rainfall and any irregularity hampers cultivation. Insufficiency of rainfall in certain months may be made up by abundance of showers in subsequent months but it does not help agricultural production. The rains must be at once timely and sufficient, if they are to be at all useful to the ryots. The total annual rainfall appears therefore to be a deceptive standard of judgment in respect of an estimate of agricultural conditions in the district.

Irrigation facilities.—The uncertainty and insufficiency of rainfall is not relieved by at least natural irrigation facilities. The rivers, Pennar and Chitravati, are not perennial streams and flow out very soon and dry up almost at once. Nor are there considerable streams which are of any importance and the tanks or wells which are fairly spread in some of the taluks, depend entirely upon the very uncertain rains. These natural conditions, therefore render Anantapur "more than usually liable to disastrous seasons."

Famines.—The economic history of the district during the last century bears this out. "To sum up then, in the century during which the district has been a British possession, in addition to the numerous seasons in which thinks have been bad, but not bad enough to warrant State relief, there have been scarcities in 1802-04, 1805-07, 1824, 1884-85 and 1900, and famines in 1833, 1854, 1866, 1876-78, 1891-92 and 1896-97. As has been truly said, "the unfortunate ryot has hardly emerged from one famine before he is submerged under another." The seasonal and general economic conditions of the ryots of this district during the past decade have not been quite encouraging and the year 1924 had to pass through a very severe famine, the like of which it is said the district had not seen since 1876. The result of a series of bad agricultural years has crippled the financial resources of the agricultural classes of the district and has weakened the resisting power and saving capacity of the ryots.

Productive credit and economic progress.—Credit to be useful presupposes productive and remunerative employment. The economic conditions to which I just referred and my study of them at close quarters for over three years force the conclusion that most of the debts contracted by the agricultural classes in the district have not been for productive employment on agriculture. On the other hand, one suspects that the debts have been used to bridge the period of agricultural distress and recurring scarcity consequent on the frequent failure of monsoons. In other words, credit for agricultural classes here has not been so much for productive employment—this is the proper use of credit—resulting in their economic improvement and enhancement of their saving power as much as for keeping their body and soul together, when they cannot get enough from land between one good season and another which are indeed far removed.

Results of enquiry.—My stray observations have been borne out by the results of an agricultural survey of the Anantapur taluk carried out by an officer of the Agricultural Department to which I will refer in connection with question No. 5. I would like to draw pointed attention to the concluding observations of the agricultural officer who conducted the survey, namely, "*the cry everywhere is for facilities for irrigation rather than Government loans.*" Credit is conditioned by certainty of repayment; and this can be ensured only if the agriculturist borrower has certain earning power at least over a long series of years. Before facilities of credit are provided, the agriculturists should be made to earn; otherwise, all extended facilities for credit are devoid of value. Credit is helpful to those who can productively employ it and earn out of such employment and not to those who struggle for existence. Facilities for irrigation may therefore be provided first through private and public effort so as to ensure proper use of extended credit facilities for agricultural production.

I have set out these stray thoughts so that the subject of credit facilities may be shown in its proper perspective. Without this background, a consideration of the subject of extension of credit facilities for this district would be not to give a complete picture of the situation as one sees it.

2. *Marketing of crops in the district.*—*The present method of marketing of principal crops.*—The principal commercial crops raised in the district are groundnut, sugarcane (jaggery), cotton, tamarind, oil-seeds, such as castor, etc. I give below the present methods of marketing principal crops, particularly groundnut. The following facts generally also apply to the marketing of other kinds of produce generally.

Marketing of produce and means of communication.—Groundnut is an important crop in most of the taluks, particularly Kadiri, Hindupur and Tadpatri, sugarcane in Pennukonda and Hindupur taluks and cotton in Gooty and Tadpatri taluks. The interior of the district is not quite well-connected with a net work of good roads. The keeping of rural roads in good repair and the opening of new roads, wherever necessary, are a desideratum for easy movement of agricultural produce. The paucity of good roads not only makes the movement of produce difficult but too heavily expensive for the ordinary ryot. This operates as a positive disadvantage and ryots of small means who cannot afford the heavy transport charges content themselves with disposing of the produce locally to some big ryot or local money-lender to whom he is bound by financial obligations of one kind or another.

The channel of marketing and methods of sale—Middlemen and their part.—The channel of marketing and sale of groundnut is rather long and does not run a smooth course. Groundnut is an important item of India's export and is bound to foreign markets. There is a long chain of agencies, local or foreign, that help in the process of export from the unknown villages in the district to Marseilles or Hamburg. It is otherwise with regard to sugarcane or tamarind. These have an internal market. In either case, the channel of marketing is intimately connected with the agencies which finance the agriculturists.

These several intermediaries may be roughly classified, without pretending to be scientific, under the following heads:—

- (i) The village merchant or money-lender or the big landlord;
- (ii) the wholesale merchant or dalal in the town;
- (iii) the broker or the commission agent; and
- (iv) the local agency of the foreign firm or company.

(i) *Village merchant.*—The periodical and recurring monetary requirements of the agriculturists are, as already submitted, met to a large extent by the local money-lender who is not infrequently the merchant also. He finances the small ryots whenever they require credit generally on the condition that the produce soon after harvest should be sold to him at an agreed price—generally lower than that prevailing then at the marketing centre. The village merchants charge very heavy rates of interest, sometimes as heavy as 36 per cent. If the merchant supplied seed on credit, the ryot has to return the seed plus 50 per cent of the

quantity supplied immediately after harvest. This is known as "Nagu" and in such transactions as these, the interest paid works out to a very usurious rate.

The local money-lender or merchant therefore gets

(a) his heavy interest;
(b) profit through purchase of produce immediately after harvest at a low price and the sale of it at a high price when the price goes up in the market; and

(c) profit through weightment of produce in which the producers are generally swindled.

The producers on the other hand lose on account of these operations in as many ways:—

(a) payment of a heavy rate of interest;

(b) loss in weightment; and

(c) low price of produce through forced sales.

(ii) *The dalal*.—The wholesale merchant or dalal in the town is another important factor in the channel of marketing. The village merchants dispose of the produce to the wholesale merchants at Hindupur, Tadpatri, etc., or through brokers to firms. It all depends upon the quantity which they bring for sale; for, the firms do not generally accept small quantities of produce. It is not also uncommon that the wholesale merchants also finance the ryots in the neighbouring villages. In that case the relations of these ryots to the wholesale merchants will be more or less similar to those between the small merchants and the ryots in the far interior villages with this difference that in this case the sellers get the produce to the market at their own expense and they get a little more price for their produce being in closer touch with the market conditions than their brethren far in the interior.

It is also a feature of this system of marketing that at a time of rising prices the dalals send their agents into villages and give the producers advances and bind them to sell their produce to them alone.

The local money-lender profits a good deal by the abnormal rates of interest he charges, the profit in weightment and low purchase prices. The dalal on the other hand, takes away a large share of what ought to go to the producer. The following examples refer to the several items which the seller of produce has to pay to the wholesale merchant or dalal and they give a rough idea of the loss which the producers suffer.

Dalal's shop—

Groundnut 21 maunds	} Value Rs. 94-12-6	.. { Sold on 16th December 1926.
Jaggery 120 "		

				RS. A. P.	
Dalali	..	..	..	2 10 6	(at 6 pias per rupee.)
Rusum	..	..	..	0 1 0	
Ammavari rusum	..	..	..	0 0 6	
Coolie	..	..	..	0 3 0	
Madiri padikattu	..	..	..	0 7 0	
Mandi allu	..	..	..	0 6 6	

Total	..	3 12 6
Amount paid	..	91 0 0
Grand total	..	94 12 6

The following is an extract of another bill of March 1925 in a dalal's shop:—

158 maunds of Jaggery at Rs. 3-5-9 per maund. Rs. 531-10-0.

				RS. A. P.	
Dalali	..	..	..	11 1 0	(at 4 pias a rupee.)
Rusum	..	..	..	0 5 6	
Coolie	..	..	..	0 9 0	
Madiri padikattu	..	..	..	1 13 6	
Mandi allu	..	..	..	1 4 3	

Total	15 1 3
Amount paid	516 8 9
Grand total	531 10 0

In addition to the above, the dalals take portions of produce for the godown sweepers and other menials. They also get a commission from the foreign agency or other exporting agencies as Allu at 3 pies per maund in exchange for Madiri padikattu. Thus both ways the dalals stand to gain.

Producers themselves very rarely export their produce direct to marketing centres, say Hindupur, Kadiri or Tadpatri and when they do so it is because of their obligations to the dalals there. It is not uncommon sometimes that the bigger and the more well-to-do of the ryots in villages collect the produce from the less fortunate of their class and take it direct to the decorticating factory for sale through the broker to one firm or another.

The broker or the commission agent.—Through the broker the firms established at marketing centres generally carry on their business. The broker canvasses business for the firms and guarantees the quality of produce bought for sale. The dalals dispose of their produce generally through the brokers to the firms. The brokers get a commission from the firms and sometimes, it is said, from the sellers also. They get a brokerage of four to five annas for a bag of 53½ lb. of groundnut seed from the firm on whose behalf they work and sometimes a smaller commission from the seller. Some brokers actually do business on their own accord in addition to the commission business.

The dalals also undertake what is known as "*forward contract*" according to which they are bound to the firms concerned through their brokers to supply before an appointed date a specified quantity of produce, say, groundnut at a particular price then ruling in the market. There is an element of speculation in transactions of this kind.

Branches of foreign firms.—There are several branches of well-known firms like Messrs. Rally Bros., Volkart Bros., Lewis Dreyfus, etc., at important marketing centres like Hindupur, Tadpatri, Kadiri, etc. They purchase groundnut seed—not raw groundnut. They get daily quotations from their headquarters and regulate prices in purchasing the produce accordingly. They are in close touch with the market news, the prices ruling in foreign countries and at important ports like Bombay or Madras. They send groundnut seed by rail to Madras or Bombay for shipment to foreign markets, say, Hamburg or Marseilles.

Marketing and sale—resume.—This is a rough outline of the chain of intermediaries that help in the movement of produce such as groundnut, etc., produced in the district. It is needless to recapitulate the several sources of loss which the producers sustain through the existence of such a long chain of middlemen. Local money-lender or merchant makes a large profit on account of heavy interest charges he levies upon the producer. He again makes a profit by purchasing the produce at a low price. Weightage again is another source of profit. In as many ways as the local money-lender or merchant gains the producer suffers. There is hardly any freedom of marketing on the part of the producer in the district. He is ever under financial obligation to the village merchant and often to the dalal in the town. The dalal again makes a profit out of his transactions by several deductions he makes. There is the commission agent who receives his commission from the firm, sometimes from the seller. Finally there is the firm which makes its own profits out of the sale of the produce, groundnut or cotton, etc., the prices of which are governed by the forces of supply and demand operating not in India but in the foreign market, because groundnut, cotton and other kinds of oil seeds constitute important items of export of India, and these are subject to the forces governing international trade. It is otherwise, for instance, with sugarcane (jaggery), tamarind, etc., the prices of which are governed by forces of supply and demand in the internal market in India.

I enclose a statement of prices of groundnut and sugarcane (jaggery) at several stages of marketing gathered from local enquiries and they are self-explanatory. (See Appendices A and B.)

Good in things evil.—It is true that this chain of marketing has something good in it. The existing marketing agency has been laboriously built up and it has the sanction of custom and tradition behind it. It has been rendering services to the agriculturist. It might therefore receive support from lapse of time. The system might have been well-organized from the point of view of the middlemen. Otherwise, it must have failed to operate owing to its own inefficiency. Nevertheless, the system may not be maintained or justified in the larger economic interest of the producer. The disparity between the foreign price, say for instance, of groundnut, and that portion of the price received by the producer is not exactly known. It requires detailed investigation. The growing prosperity of dealers in towns and the growing indebtedness of producers in villages might perhaps indicate the margin in the prices and the poor return the producer gets on the one hand and the huge profits which the middlemen make on the other.

Financing of marketing operations.—Existing facilities.—Village merchants and money-lenders.—The question of financing the marketing of produce is very intimately connected with the methods of marketing and of sale. Every intermediary is in a smaller or greater degree a financing agency also. The village merchants are most often money lenders and advance money to agriculturists. They have their own funds to operate upon and if their own resources fall short of their requirements, they borrow from the bigger merchants in the town. The dalals depend for funds for the purchase of produce upon the Marwari sowcars; for instance, at Hindupur the dalals get sufficient funds from Marwari sowcars at Bangalore who visit Hindupur during season and lend a few lakhs of rupees upon simple hundis or pro-notes generally repayable in three months. The rate of interest ranges from six per cent upwards. At Tadpatri again, the dalals of standing receive financial accommodation from an outstation of the branch of the Imperial Bank of India, Cuddapah, opened there over four years ago.

Outstation of the Imperial Bank of India.—Tadpatri.—I may in passing refer to a few important features of the work of that outstation. It functions under the immediate supervision and control of the agent at the Cuddapah branch of the Imperial Bank. Its business is at present confined mainly to financing some of the big and approved merchants and dealers at Tadpatri to facilitate the movement of cotton, groundnut, etc., from that area outside. A few of the well-to-do ryots of status and personal standing also get credit in the outstation. The work of the outstation may roughly be classified under the following heads:—

(1) Advancing loans for short periods on the pledge of produce—cotton, groundnut, etc.;

(2) lending on the security of simple pro-notes;

(3) lending on the pledge of gold; and

(4) discounting of demand drafts and hundis.

(1) *Lending on the pledge of produce* is at present an important and major item of the work of the outstation. The borrowers pledge the produce and deposit it in godowns at their own risk; the bank gets the godown insured at the expense of the borrower. It is kept under lock and key. The borrower is held responsible for depreciation of stock or fall in the value of the produce and he may be called upon to make good the loss at any time. The maximum up to which advances may be given is about 80 per cent of the market value of the produce pledged. The borrower is not permitted to clear the produce out of the outstation, unless the claim is fully settled previously. Piecemeal clearance is not permitted. The local minimum rate of interest is said to vary from 7 to 8 per cent. I understood that this item of business takes up about 75 per cent of the money transactions of the outstation.

(2) *Lending on simple pro-notes* appears very limited, and the customers of standing and status who are so financed may not be many. Each customer is given a maximum of credit up to which he may operate on simple pro-notes.

The other items of work are not considerable as yet. The fourth item is intended to facilitate the export of agricultural produce from the Tadpatri market.

It may thus be seen that the outstation does a portion of the work at any rate relating to the financing and export of agricultural produce; but it may be noted that only very big dealers and well-to-do landlords of standing and position receive financial accommodation.

Agencies of foreign firms.—In some cases the agencies of the firms at these centres themselves provide temporary financial accommodation to the dalals under what is locally known as "unfixed contract or rate" practice. That is to say, the wholesale dealers get the produce and deposit it with the agent of these firms; the price is not then settled and wholesale dealers get temporary help on the pledge of that produce and with that, they carry on their operations. No interest is charged on the amount so advanced. A date is fixed, generally 45 days, from the time of advance of the amount within which the dealer has to settle the accounts and dispose of the produce to the firm at a price quoted by it. This is a financial expedient resorted to under financial pressure, and it appears to fit well into the existing practices of financing and marketing. Under this system a dealer may suffer sometimes, as at the appointed day of sale of produce the prices may not be favourable to him for the disposal of the produce pledged.

The foreign agencies like Rally Bros., etc., appear strongly backed up by joint-stock banks or financing houses at Madras or Bombay and they seem to freely operate on their accounts. The process of movement of their funds appears to be through the telegraphic transfers. They indent upon their head offices for funds from time to time according to the volume of their business.

Generalization of marketing conditions—not possible.—The descriptive account just given does not pretend to be scientific and admits of local variations; at best it is only a broad generalization from the facts gathered here. Nor is it suggested that what is true of a few localities in this district will hold good in respect of conditions even of the very neighbouring districts like Bellary or Kurnool. It is instructive in this connexion—to substantiate this point—to refer to very interesting results that followed an enquiry conducted by a sub-committee appointed by the Indian Central Cotton Committee into the marketing conditions and finance of the cotton produce in the Adoni and Nandyal taluks respectively of the Bellary and Kurnool districts. For easy reference, I may be permitted to reproduce below those results:—

Out of a total number of 741 cultivators about whom enquiries were made, 519 or 70 per cent borrowed and 222 or 30 per cent did not. Borrowings were made at the time of the commencement of cultivation operations and nothing was borrowed subsequently except in two villages out of nine enquired into. The amount subsequently borrowed was Rs. 4,154 which is only one per cent of the total borrowings first made, only to pay Government assessment.

Amount of borrowings.—The following figures give an idea of the borrowings:—

(a) Total amount borrowed	Rs. 3,31,686
(b) Number of cultivators recorded	741
(c) Borrowings per head of cultivators recorded	Rs. 448
(d) Number of borrowers	519
(e) Borrowing per head of borrowers	Rs. 639
(f) Total area of holdings recorded	26,804 acres
(g) Borrowing per acre of the total area of the holdings	Rs. 12.4
(h) Area under cotton	9,835 acres
(i) Borrowing per acre under cotton	Rs. 33.7

The heavy borrowing per head is said to be due partly to the fact that all the cultivators examined except four were proprietors of whole or part of the land they cultivated and therefore naturally commanded wider credit.

Utilisation of the loans.—It is rather surprising that out of rupees 3,31,686 borrowed only Rs. 4,000 or one per cent was returned as having

been taken for cultivation purposes. The value of the loans taken in the form of seed was estimated at Rs. 202. The rest, namely, Rs. 3,27,394 were all borrowed for other purposes classified as follows:—

Other purposes.	Amount	Percentage.
	Rs.	per cent.
Domestic	31,595	40.2
Marriage	59,820	18.2
Purchase of land	68,040	20.8
" of house	2,352	0.7
" animals and carts	19,600	6.0
" fodder	540	0.2
Construction of house	7,682	2.4
Payment of rent and premium for lease	2,230	0.7
" assessment	35	..
" arrears of debt	1,800	0.5
" for field labour	2,400	0.7
Loss in trade	16,700	5.1
Litigation	14,600	4.5
Total	3,27,394	100

Some of the entries made under this column "other purposes" should have gone into the column for cultivation purposes. It may also be noted that very little amount was utilised to pay old debts—doubts are expressed as to the correctness of the figures.

Sources of borrowing.—The following statement gives the sources as well as the amount borrowed from each source.

The sources.	Number of Persons borrowing from each source.	Amounts borrowed.	Percentage of total.
		Rs.	
Landlords	330 (320)	1,88,275	56.8
Sowcars	131 (122)	90,416	27.3
Gin-owners	30 (31)	33,050	10.0
Traders and merchants	17 (14)	12,625	3.8
Friends and relatives	8 (8)	3,170	0.9
Government (Takavi)	10 (6)	2,500	0.7
Co-operative societies	4 (1)	1,750	0.5
	.. (502)	3,31,686	100

(The figures shown in brackets give the number of persons who borrowed exclusively from the source in question, while the other set of figures in the same column shows the number of cultivators who resorted to each of the sources either for the whole or for a part of their total borrowings.)

Sowcar not an important source of credit.—One interesting fact is that the sowcar was not the principal financier of the cultivators in the tract under consideration. The landlord was the chief source in almost all the villages investigated. More than half of the loans was advanced by him, and 63 per cent of the borrowers had recourse to him for practically the whole of their borrowings. The medium and large cultivators of this area are said to be as often as not traders in produce and money-lenders as well as landholders and employees of field labour. Next in importance to the landlord in the financing operations is the sowcar. He was responsible for only 27.3 per cent of the total advances and 25 per cent of the borrowers took their loans from him. This appears to be rather in singular contrast to the important part the sowcar plays in Berar, North Gujarat, Sindh, the Punjab, etc., in which areas it is said the amounts advanced by him ranged between 54 and 91 per cent of the total advances,

Rates of interest reasonable.—It is interesting to study the rate of interest charged on the advances.

Rates of interest.						Amounts borrowed.	Percentage of total.
						Rs.	
Free of interest	..	..	..	..	..	647	0.2
At 6 per cent	..	..	..	..	..	200	..
„ 7-8 per cent	..	..	..	..	..	4,800	21.4
„ 9-10 „	..	..	..	..	..	74,660	22.5
„ 10½-11½ per cent	..	..	..	..	..	4,800	1.4
„ 12-12½ „	..	..	..	..	..	1,92,294	58.0
„ 13½-15½ „	..	..	..	..	..	800	0.2
„ 15 per cent	..	..	..	..	..	17,000	5.1
„ 16½ „	..	..	..	..	..	970	0.3
„ 18 „	..	..	..	..	..	26,295	8.1
„ 21 „	..	..	..	..	..	800	0.2
„ 24 „	..	..	..	..	..	7,590	2.3
„ 30 „	..	..	..	..	..	730	0.2
„ 36 „	..	..	..	..	..	400	0.1
Total						3,31,686	100

The statement indicates that 80 per cent of the loans were obtained at between 9 and 12½ per cent which is fairly reasonable.

Sales of produce not affected by borrowings.—As to the effect of the borrowings on sales, it is said that the cultivators were in general not hampered by their borrowings in the disposal of their 'kapas'. Only 29 out of 519 borrowers, that is, only 4 per cent gave a verbal undertaking to sell their crop to their lender. Except in the case of one village, it is said the cultivators were not under any obligation to sell to their lender. It is pointed out further that the sales were made just in the ordinary course of business, and there is no evidence that they were in any way due to the pressure of the lender to sell. This coupled with the fact that no cultivator was obliged to effect advance sales to get the wherewithal to pay off previous loans goes to show that cultivators were not hampered by their borrowings as to the time of sale.

The main conclusions of the committee with regard to financing of cotton are tabulated below:—

(1) The cultivators of the western and northern tracts did not find any difficulty in obtaining finance; 70 per cent of the number examined took loans of varying amounts.

(2) Borrowings were all made at the time of the commencement of cultivation operations, the amount taken subsequently being almost negligible.

(3) The borrowing was heavy and substantial, working out to Rs. 639 per head of borrowers and Rs. 519 per head of cultivators recorded.

(4) Nearly 30 per cent of the loans may be said to have been put to unremunerative uses.

(5) The borrowing per acre of the total area of the holdings was Rs. 12.4. Taking the average yield at 184 lb. of kapas per acre, and the normal rate at Rs. 3-12-0 per maund of 26 lb., the value of the yield per acre would be about Rs. 26.2. Therefore the rough index of borrowing (as explained in the report) would be 47, which is a high figure.

(6) The landlord was the cultivator's chief financier, being responsible for 56.8 per cent of the loans given. Next came the sowcar, who lent 27.3 per cent of the loans. The co-operative credit movement is extremely backward in the area investigated, only 0.50 of the loans having been obtained from co-operative societies.

(7) Interest rates ranged from 6 to 36 per cent, but 84 per cent of the loans was obtained at 12½ per cent and less, which shows that money is readily available in this area; 9 and 12 per cent were the chief rates. As long as money is so cheap, there is little scope for the spread of the co-operative credit movement here.

(8) Cultivators were not hampered by their borrowings in the disposal of their kapas, either as regards the persons to whom or as regards the time at which they might sell. Practically only one lender, a gin-owner, required an undertaking that the crop should be sold to him.

Marketing and sale.—With regard to the sales, the enquiry has resulted in the following general conclusions.

(1) Eighty-eight per cent of the crops is sold and 12 per cent remained unsold. Of the amount remaining unsold the greater part had been held up in the expectation of higher prices.

(2) The crop is sold mostly to the petty merchant or trader in the village itself. Of the amount sold, 87 per cent was sold in the village, and only 13 per cent in the market. In the northern tract there were no market sales.

(3) The usual method of sale in the village is to sell the crop outright to the petty merchant. There are no deductions made; but the seller has to pay his own share of the weighing charges to the weighman. Payments are very prompt.

(4) The weights are usually of stone, and there is no authority to check or certify them. This is a grave defect and gives opportunities for deceitful practices in weighing.

(5) There is no storage accommodation, cultivators storing the kapas in their own huts.

(6) About Rs. 3-12-0 per maund of kapas may be taken as the normal rate in the villages. The market rates are a few annas higher, to make allowance for transport charges.

(7) As a rule, cultivators do not sell at each picking, but sell the whole lot after the last picking, unless money is required earlier to pay off Government assessment. Only 12 per cent of the crop was sold in the early period while 88 per cent was sold late.

(8) Cultivators could and did hold their crop until late dates in June and July in the expectation of higher prices. There is clearly no pressure to sell.

(9) About 13 per cent of the total crop was sold as lint. In general, however, the amount with each cultivator is too small to be conveniently ginned. Moreover, gin-owners do not encourage cultivators to have direct dealings with them.

Resume.—It may thus be seen that marketing conditions widely differ from place to place and any lines for improvement may be with particular reference to the local conditions of the place with which it is proposed to deal. The picture given by the sub-committee referred to above is very hopeful, and one feels difficult to suggest improvement when the existing conditions in a locality like that are fairly satisfactory, but I am afraid whether the conditions referred to by the sub-committee are really as encouraging. For even according to the committee, we find that a good portion of the produce of the agriculturist is disposed of in the village rather than in the marketing centre. It may be that, as suggested, the intermediaries do not squeeze the producer and make abnormal profits. Even then the gulf between the consumer and the producer is very wide, and the difficulties may therefore be caused more by the long chain and multiplicity of middlemen than their individual avarice. It is a fact which may not be ignored. The existing machinery for distribution of agricultural produce is unsatisfactory and admittedly exploitative to a degree that should stimulate further lines of advance and progress.

Marketing and co-operative effort.—Co-operative organization of marketing has been resorted to with a view to minimize the disadvantages consequent upon the existing marketing practices and to enable the cultivator to secure a full premium for the produce he sells. Group marketing is admittedly more efficient than marketing by individual producers. Co-operative sale of agricultural produce through loan and sale societies existing in this Presidency may offer possibilities of development and success. Already there are five loan and sale societies organized in this district and three of them have begun to function. They are of recent growth and they are just feeling their way and with more help from the Co-operative and Agricultural Departments much good may result.

Sale of produce to a dalal and through a loan and sale society.— I give below a bill of the sale of produce in a dalal's shop and in the co-operative loan and sale society.

		Rs.	A.	P.			Rs.	A.	P.
Dalal's shop—					Loan and sale society—				
Value of Groundnut	21	94	12	6	Value	..	94	12	6
maunds.					Commission	..	2	10	6
Value of Jaggery	20	94	12	6	Coolie	..	0	1	6
maunds.									
Sold on 16th December 1926—					Deduct	..	2	12	0
Dalali	..	2	10	6*	Net amount paid	..	92	0	6
Rusum	..	0	1	0					
Ammavari Rusum	..	0	0	6					
Coolie	..	0	3	0					
Padihattu	..	0	7	0					
Mandi Allu	..	0	6	6					
		3	12	6					
Amount paid	..	91	0	0	Value	..	94	12	6
		94	12	6					

Sale through a society would ensure correct weight, freedom from payment of several items of commission, fair price and consequently a larger return for the produce he gets to the market.

Some difficulties in loan and sale societies.—The working of the loan and sale societies in this district and especially the one at Hindupur has disclosed some difficulties. Producers generally prefer the dalal because—

(1) the dalal generally advances money whenever required by the ryot during the year on the assurance that the produce would be brought to him for sale;

(2) the dalal supplies the ryot with his requirements—food-stuffs, etc.,—whenever necessary; and

(3) whether the sale-proceeds of stock are realized or not, the dalal accounts for the dues and settles his bills.

Suggestions for consideration.—If the sale societies are to become popular, the following suggestions deserve consideration:—

(1) Members may be allowed small advances by opening *current accounts* in their favour;

(2) credit sales by sale societies may be permitted to approved customers consistently with safety, the sales in the present circumstances being confined only to the local market;

(3) the bills of the producer have to be *cleared as soon as possible*, whether the sale-proceeds are collected or not;

(4) the *sale societies have to federate themselves* into central selling organizations and put themselves in touch with trade associations elsewhere and endeavour to dispose of the produce direct to them instead of locally; and

(5) *better transport facilities* may be provided, say, by motor lorries, etc., so that the smaller ryots who constitute the bulk of the agriculturists may take advantage of the sale societies.

Pools—possibilities—success.—These suggestions lead us to a consideration of the possibilities of forming 'pools' such as are reported to have been formed on a large scale in Canada and the United States of America. The *advantages* of a system of *pools* may be briefly outlined as follows: 'Pooling' means that produce of similar grade and quality belonging to different producers is mingled together in a producers' co-operative society which operating through the control of volume, stabilises the prices and sells the produce during definite periods so that the price received by the grower is based upon the average price received during that period. The system eliminates the middlemen, cuts down the costs of marketing and obtains for the producer all the market would give.

To consider possibilities of development of pooling it is necessary to consider it in relation to several factors involved in marketing.

(1) *Control of volume of produce.*—The pools of the North American Continent are mostly *contract pools*. That is to say, the members of the pool are bound together by an iron-clad five year contract. The contract binds the farmer to deliver during the life of the contract all the produce grown by him except what is necessary for seed. The grower agrees that, if he violates his contract, particularly as to delivery or marketing of produce other than through the association, he will pay damages and the association is entitled to an injunction to prevent further breach of the contract which is legally enforceable. The object of the contract is to ensure volume of produce and to make the co-operative business a success. In fact, the Canadian wheat pools handled 53 per cent of the total shipments of wheat in 1925-26 and it should be much more so now. They control a large percentage of the total wheat average.

In recent legislation relating to agricultural co-operation even in countries other than Canada, these tendencies are being recognized. For instance, in the Union of South Africa, it is reported that "provision for the compulsory supply of produce is made in the model rules; also for pooling and pool payments. The Act also provides for fines to be imposed on members who fail to sell produce through the produce." What is more, compulsory co-operation is provided for. "When the Minister is satisfied that in any district 75 per cent of the producers, producing 75 per cent of the local output of any kind of agricultural produce, are members of a co-operative society, he may give notice that in future all producers in the district shall market their goods through the society, whether they are members or not." Similar provisions exist in New South Wales and Queensland (Australia).

Whether large areas of agricultural production can be brought within large scale co-operative organization and adequate volume of produce effectively controlled and members of small cultivators in this Presidency made to agree to contracts, or an element of compulsion to enforce contracts through legislative interference is possible of introduction in the existing agricultural conditions are questions which I am afraid admit of a variety of answers and doubts and deserve serious consideration by experts.

(2) *Grading and control of quality.*—Commodities as they come to the association are put into different pools according to the quality and grade records agreeably to the market requirements. The produce may be sold in separate lots, the actual proceeds of each grade pool being divided among the growers in that pool. The problem of grade pools in this country must indeed present difficulties owing to the large number of qualities of produce raised. In the existing circumstances in this Presidency this may be felt difficult because the recognition of quality and grading of agricultural produce will necessitate a consideration of improved methods of production as well as harvesting, assembling, sorting, etc. The points for consideration are

(a) what varieties and types of produce are the association to encourage and standardise;

(b) how to get the members to follow the course decided upon. The assistance of the Agricultural Department is necessary to standardise leading commodities and provision should be made for inspection at the local marketing society. It is for consideration whether Government have to provide necessary staff for the determination of grading by charging the producers if necessary. So far as our Presidency is concerned at any rate a good deal of propaganda and educational work amongst agriculturists appears absolutely necessary.

(c) *Price payments to producers.*—Pooling, as is generally understood in America, is intimately connected with the question of the price of produce. The value of the pool consists in averaging selling prices. The pooling of produce through co-operative effort eliminates chance unevenness in prices due to market fluctuations by equalising returns for equal quality and brings steady prices to producers. It encourages the producer by promoting merit in producing. Individual farmers cannot understand the changing conditions of the market and they constitute individually small units in marketing operations. Pooling ensures bulking of produce

and protects the producer from the effects of a bad market. The marketing associations which adopt pooling make advance payments and defer final settlement. This is necessary because

(i) it saves the co-operative sale society from assuming any financial obligation for the produce of its members. The agriculturist takes his chance of what the association can sell it for;

(ii) it is difficult to estimate expenses in advance. Deferred settlement is therefore necessary;

(iii) if the sale society brought for cash, it would carry a heavy burden and would require considerable financial resources to hold its stock. Under the pool arrangement an advance only is given;

(iv) quality is far more widely recognized in pooling organizations than in any others; and

(v) the averaging of results is easily achieved by pooling.

The experience of large co-operative societies in America is said to be in favour of the system of advance payments and deferred settlement. The producer receives at once from 50 to 70 per cent of the estimated market price. He is not therefore standing out of the whole of his money. The margin is indeed allowed for risk of fluctuating prices but then he has an organization working in his own interests to keep prices steady and rendering him services which the middleman system does not.

Whether the agriculturists in this country would agree to the pooling of produce and accept the average price which the produce of a particular quality would get is again a matter which in the present circumstances admits of doubt. It takes time for the agriculturists here to appreciate the advantages of the practice.

Unit of pooling.—Another factor which requires consideration in an attempt to adopt 'pooling' is the unit of pooling. In America it is said that pooling is done with the whole crop as a unit. Whether a pooling unit so far as our Presidency is concerned is to be, say, a district or a taluk or even a smaller area are matters for expert consideration.

Conclusion.—The several factors and the difficulties to be surmounted with regard to 'pooling' are many and varied, and they require careful preliminary investigation before adoption. There is no doubt that 'pooling' has got decided advantages; it ensures bulk sale, prevents a glut of the market immediately after harvest, ensures a steady market by a careful output of produce on the market, assures the producer an equal price and protects him from the effects of very bad seasons. Nevertheless, the point for consideration so far as this Presidency is concerned, is whether we are ripe for organizing on such a large scale as that. Unless all the forces available, public as well as private, are mobilized, 'pooling' may not be immediately possible of adoption and trial. A long educational work and propaganda among the agricultural classes must precede the advocacy or widespread trial of 'pooling.'

Facilities suggested.—In the meanwhile it is better to concentrate attention upon the following particulars:—

(1) Co-operative sale societies which have made a beginning in this direction may be given all facilities. *The services of co-operative Inspectors may be placed at the disposal of the societies* for purposes of education, propaganda, promotion of business methods, etc.

(2) *The services of the officers of the Agricultural Department may be lent free of charge* to sale societies for purpose of grading produce and assisting in the field service of sale societies. Graded produce will get a higher price than produce of mixed quality.

(3) *Storage facilities* for the safe custody of produce brought to the sale society may be provided. Loans for the construction of godowns may be given more reasonable terms than now. A grain elevator system is not possible for reasons referred to by the Royal Commission on Agriculture. A system of licensed warehouses such as is said to exist in the United States of America may be encouraged through private enterprise.

(4) There should be an organized agency to supply market news to all concerned. *An Agricultural Marketing Board may be constituted* for the Province, and it might be entrusted with a study and investigation into the

Methods of marketing of particular kinds of agricultural produce and other work such as educating the producers as to the possibilities of improvements and supplying in vernacular marketing information. At present the sources of information are few, and are not at all available to those who are in need of information.

(5) The existing financial facilities for sale societies may be made more elastic by linking up sale societies with the Imperial Bank of India. Provision may be made for the grant of short-term loans to such societies with adequate security if the money is advanced to members for an agricultural purpose or if it is used to pay members for agricultural produce delivered or to finance the societies in grading and preparing for market produce grown by members.

(6) The system of regulated markets may be tried and necessary legislation may be undertaken. Dalals and weighmen may be licensed, deductions and levies standardised, weights certified and tested. This will protect the interests of the cultivator and will secure to him better prices, fairer weighment and freedom from illegal deductions.

Remittance facilities—Existing facilities.—The internal remittances between one place and another are made through post office or facilitated by remittance transfer receipts, telegraphic transfers, supply bills, hundis, or demand drafts and cheques. As I already indicated, the agencies of foreign firms established at important commercial centres in the district largely get their funds through telegraphic transfers. Other businessmen make use of the District Co-operative Central Bank at Anantapur for the purpose of small remittances. For instance, firms at Madras send goods to merchants here and enclose the railway receipt along with the demand draft or hundi to the District Co-operative Central Bank for the collection of the amount. The amount is payable 30 days after sight or after date or on demand, and the amount is sent to the firm after payment by the customer here by means of a cheque issued either on the Imperial Bank of India or the Madras Central Urban Bank with whom the central bank has got cash credits and banking accounts. Sometimes the remittances of money to outside places are also made by paying money in the district central bank and taking a cheque from it on one of the two banks just referred to. But this is very limited. Similarly the Hindupur Co-operative Town Bank has also been of considerable assistance to business men in facilitating remittances.

Co-operative societies are permitted to remit moneys through remittance transfer receipts.

Existing difficulties and suggestions for improvement.—It is understood that supply bills are not issued by the Huzur treasury here; nor are they paid out of treasury balances here. Currency transfers are issued on the Huzur treasury and the amount paid out from September 1928 to March 1929 in respect of these transfers mostly to the agencies of the foreign firms such as Rally Bros., Volkart Bros., etc., came to Rupees 7,66,000 working out to a little over a lakh of rupees a month. Currency transfers are, moreover, issued only in even thousands of rupees and the minimum limit of amount is Rs. 5,000.

Remittance transfer receipts are issued for public and quasi-public purposes and the amount paid out here during 1928-29 by the Anantapur Huzur treasury comes to Rs. 1.34 lakhs and the remittance transfer receipts issued by this treasury amounted to Rs. 7.09 lakhs. Co-operative societies remit moneys, as submitted, through remittance transfer receipts to the secretaries or chairmen of societies and to central co-operative banks which are situated at places where there is no branch of the Imperial Bank of India, for bona fide remittances to and from the Imperial Bank, provided that the amount to be remitted at a time is not less than Rs. 150. This issue of remittance transfer receipts to co-operative societies is restricted to the transactions between the societies themselves. These restrictions do not facilitate remittances as much as one would desire.

Suggestions for improvement.—Remittance facilities so far provided are indeed cheap and have been proving useful. The following suggestions are however for consideration:—

(i) postal charges may be reduced.

(ii) It is necessary that a smaller minimum in respect of supply bills is fixed and all treasuries are asked to issue them. As supply bills are transferable, they will become a popular mode of remittance of moneys with the public if the limit is lowered.

(iii) The minimum amount of a remittance transfer receipt issued to the public for the purpose of the purchase of Government securities, viz., Rs. 5,000, may be still lowered and fixed at, say, Rs. 1,000.

(iv) Co-operative societies may be permitted to remit smaller sums than Rs. 150 and the limit fixed at, say, Rs. 50.

(v) Urban co-operative banks may be allowed facilities for buying and selling remittances to their members through remittance transfer receipts.—Thus they may be enabled to secure for their members some of the facilities which are available to traders and businessmen in big towns. There is nothing unco-operative in a co-operative bank affording facilities to each of its members to remit his money to another centre or to get for him from such a place. It is true that the free use of remittance transfer receipts should not be unduly used for making profit only. Restrictions may be imposed on the amount that may be remitted this way in a day. Even on the ground of profit or abuse of the concession, it is rather difficult to deny this privilege. It would in the first place be difficult to distinguish between remittances made for business of purchase and sale of hundis for transmission of its own funds from one co-operative society to another. Secondly, if such free use brings in a little income to the co-operative bank that income need not be grudged to it in view of the fact that the prosecution of this business is in the public interest and that for carrying it on a well-paid staff is necessary which the bank is not in a position to employ, especially in the initial stages. All that is required to be seen is that the concession is not abused and this could be provided for by putting some restriction. The necessity for providing facilities becomes doubly clear when it is remembered that

(a) the number of joint stock banks is small;

(b) even with the opening of branches of the Imperial Bank there are many urban areas which are not reached by any joint stock bank or branch of the Imperial Bank; and

(c) it is desirable, where banking is done on a co-operative basis, that this should be encouraged rather than the formation of a joint stock bank.

In a few important commercial centres like Hindupur hundis are locally discounted and the conveyance of cash to neighbouring taluks is avoided.

The samples of hundis received for instance in the Anantapur District Co-operative Central Bank are given below:—

(1) *Hundi.* (Mysore.)

Rs. 188-9-0.

The Raja Cycle and Motor Works,

Bangalore City,

8th October 1929.

At thirty days *after sight*, please pay Messrs. The Anantapur District Co-operative Bank, Ltd., or order the sum of Rupees one hundred and eighty-eight and annas nine only for value of railway receipt attached herewith.

For the Raja Cycle & Motor Works,

(Signed) * * *

To

Messrs. The Neo Auto Works,
Town Extensions, Anantapur.

(2) *Hundi.* (India.)

37-39-41, Abdul Rahman Street,

Bombay,

14th October 1929.

30 (Thirty) days after sight pay to ourselves in Bombay or order the sum of Rs. 178-8-0 (Rupees one hundred and seventy-eight and annas eight only) for the value received in goods.

For Victor Watch Co.,
(Signed) * * * ,
Manager.

To

Mr. V. C. Venganna Chetty,
Watch merchant.

(3) *Hundi.* (India.)

No. 388.

Madras, 16th October 1929.

At 30 days date D/A please pay to the order of the Anantapur District Co-operative Central Bank, Ltd., Anantapur the sum of rupees eighty-eight, anna one and pies four only value received—vide Bill No. 7793 of 16th October 1929.

To

Messrs. Sri Sadhana Press,
Extensions,
Anantapur.

For J. B. Advani & Co., Ltd.,

Rs. 88-1-4.

(Signed) *

Manager.

(4)

Rs. 150 only.

Madras,
8th October 1929.

At sight pay to the order of Messrs. The Anantapur District Central Co-operative Bank, Ltd., Anantapur, the sum of rupees one hundred and fifty only for value received.

To

Messrs. The Motor Warehouse, *

Anantapur. For Rane, Limited,
(Signed) *

Director.

3. *Value of land per acre for different kinds of crops—observations of Sir Frederick Nicholson.*—Sir Frederick Nicholson, when Collector here in 1887, wrote as follows:—

“As for the wealth of the district it is simply non-existent. Taking the ryot first, his cultivation is good evidence of his poverty. The ryot has little exchange value in his land; to judge from registration transactions, it is, except in Tadpatri generally and in some parts of the other taluks, hardly a marketable article: at all events the ryot can borrow but little upon it; this stands in his way should he wish to make improvements; though on the other hand it tends to prevent reckless indebtedness.”

Also, the question of the pressure of population on land and the consequent enhancement of the value of it does not at all arise in a district like this. “Pressure here is the inability of the bulk of the soil to yield a crop in bad seasons, and no abundance of land will compensate for that inability.”

Influences contributing to a rise in the value of land.—Since Sir Frederick Nicholson wrote, there have nevertheless been forces at work which in recent times have contributed to the general rise in the value of land.

(1) *There was a general rise in prices of the chief food grains—paddy, cholam, ragi, etc., quite in accord with the general rise of prices of these crops in the Presidency as a whole. Though the abnormal conditions created by the world war ceased, the prices have never come down to the pre-war level. Nor is it likely to happen in future.*

(2) Another factor of importance is the *raising of commercial crops*, such as, groundnut, castor, and other oil seeds on a larger scale than before. This is not only because of the recurring failure of monsoons but also because these crops will get ready cash into the pockets of the agriculturists.

(3) Even with the sharp vicissitudes of season in the district, land is still considered to be a proper and safe object of investment by the cultivating landlords.

These factors have operated in increasing in recent times the value of land. The following facts gathered from the resettlement scheme report (1926) of the red soil taluks of this district are instructive in this respect:—

Dry lands without wells.—The crops raised on these lands are korra, cumbu, horsegram, groundnut, etc. In the period from 1919 to 1923 dry land without wells sold from Rs. 11 per acre to Rs. 87.

Dry lands with wells.—Ragi, partly cholam and korra are to be accounted to these dry lands with wells and garden lands. The value of dry lands with wells averages during the same period from Rs. 72 to Rs. 230 per acre.

Wet lands.—Paddy is the principal crop raised in wet lands. Sugarcane is to some extent grown in Hindupur and Pennukonda taluks. The value of wet lands (single crop) under tanks ranges from Rs. 73 per acre to Rs. 782, while those under sources other than tanks range from Rs. 83 to Rs. 463. The lands commanded by the Pennar channels in the Anantapur taluk fetch an average price of Rs. 357 per acre. Within these limits the individual taluks show different variations. The value of wet lands, for instance, shows an increase in all the taluks except in the Kalyandrug taluk. There are wet lands, for instance, in Hindupur taluk, the prices of which go up to Rs. 1,500 an acre and over, the source of irrigation being tanks and the crop raised being sugarcane.

The following observations are made by the Settlement Officer: "The one feature noticed during resettlement is the paucity of sales of land. Much of the purely dry land has no sale value and the fields are assessed at lower tarams only. Those protected by wells and within a reasonable distance of the village site can be sold. The best dry and wet lands never come into market and the absence of any market value on much of the lands is due not to the assessment but to the position of the lands, their natural poverty and the fact that there are considerable stretches of similar land available for occupation."

The ratios of sale value to assessment according to the registered sale deeds in the case of the various classes of land in the six taluks of this district are compared with the ratios according to land acquisition records and records of sales in execution of civil court decrees, during the five years 1919 to 1923.

Wet lands.	Ratio of sale value to assessment.		
	According to registered sale-deeds.	According to land acquisition records.	According to Civil Court sales.
Lands under II Class tanks ..	60.53	..	54.53
Lands under other tanks	56.17	28.80	44.63
Lands under sources other than tanks.	46.10	84.76	51.90
Dry lands with wells	300.71	..	125.00
Dry lands without wells ..	53.60	87.63	65.75

On the whole there has been an increase in the value of landed property in recent times. The increase in the value of food grains is the chief cause for the rise in sale value added to the fact that even now the

only investment which the average agriculturist looks to for any of his surplus capital is in purchasing more land.

It may be seen from the statement given above that the value of land in respect of sales in execution of civil court decrees is more often than not lower owing to the fear of existence of claims and cross-claims than the value of land in purchase by private negotiation as the registered sale deeds indicate, whereas the value of land by acquisition is more often greater than either the sale value of land in execution of civil court decrees or purchase by private negotiation. It may generally safely be asserted that when the land is sold by coercive process it fetches much less than when the sale is effected by private negotiation. My own personal experience has been that most execution applications in respect of arrears of dues by members to co-operative societies are returned by the officers of the Revenue Department with the remark that the sale fetched no bids. This is prompted more often by considerations of sympathy to one another among the members or village combination for reasons of common interests and self-preservation.

Very little land was sold during recent years for non-payment of revenue as may be seen from the following statement:—

Statement showing the particulars of immovable property sold for arrears of land revenue in the red-soil taluks of the Anantapur district.

Total number of pattadars in fasli 1330.	Average number of defaulters from faslis 1324 to 1333.	Total average demand from faslis 1324 to 1333.	Average amount of arrears from faslis 1324 to 1333.	Percentage of average arrears to total average demand.	Total amount realised by sale of landed property from faslis 1324 to 1333.
(1)	(2)	(3)	(4)	(5)	(6)
79,526	17	RS. 5,27,927	RS. 233	·04	RS. 307

It is apparent from the statement that land revenue is collected with ease and that land is seldom brought to sale.

4. *Agricultural and land mortgage banks*—*Absence of legal impediments*.—There are no legal impediments to mortgage of land and agricultural holdings in this district.

Absence of mortgage credit institutions.—There are no land mortgage banks or any other banks in the district for the provision of long-term credit.

Difficulties of organization of mortgage institutions in the district.—From what has been submitted so far, it may be seen that most land in the district consisting of very poor red soil has hardly any sale value. It is only the garden lands consisting of wells, lands under tanks or channels with some certainty of supply of water that have any value at all and the percentage of such land to the total area under cultivation in the district is indeed very small. Even the lands classed wet have no perennial sources of supply but depend upon rainfed tanks or channels.

In view of these circumstances doubts may easily arise as to the possibility of introduction or success of land mortgage institutions in this district. A series of two or three successive bad years, which is not a rare phenomenon here, may bring about very abnormal conditions of existence. The success of a land mortgage bank, as I conceive it, almost entirely depends upon the capacity of the borrower for prompt repayment as well as the certainty of repayment. Though some of the landlords and well-to-do tenants may have the capacity to repay in normal years, conditions are lacking which ensure certainty of repayment. Instances are not lacking in the district where loans advanced on good wet land under the Land Improvement Loans Act could not be entirely recovered subsequently and partly had to be written off, as the land proved useless on account of the precarious irrigation sources becoming dried up. I have

submitted these stray considerations with a view to emphasise the difficulties which might attend upon attempts at organizing land mortgage banks in this district and which therefore warrant caution.

Preliminaries to organization—Economic survey.—Even within these limitations, however, a few select localities comprising wet land may be taken up and attempts made to start these institutions. In doing so important preliminaries should be carefully attended to.

(i) An intensive agricultural and economic survey may be made of the locality where it is proposed to start these banks. The existing indebtedness may be ascertained and the long-term credit requirements of the locality and the need for a bank found out.

(ii) Whether there is adequate human agency to run the institution, when formed, should be carefully enquired into. Efficient management is necessary, and unless this is assured, no step forward need be taken. Accurate valuation of land, careful scrutiny of rights, examination of the purpose of loans, careful supervision over the application of the money to the proper objects and insistence on strict repayment—these are responsible duties that devolve upon the management, and unless the management is efficient, these are likely to be ignored. It is rightly emphasised that the "reputation of debentures in the market will depend on the efficient management of the mortgage banks as a whole. Confidence in the good banks may be lost by the default of the bad. . . ." The necessity of adequate and competent human agency cannot be sufficiently stressed.

Suggestions for improvement.—(a) It is better to improve the title of ownership with a view to simplify reference. It is necessary that there should be public compulsory registration of titles to, and charges for, the land so as to make the existing liabilities easy to be ascertained. It is said that 'charges' created by agreement of parties in a civil court are not registered. This requires revision.

In Germany it is pointed out that the 'Land Record' is proof absolute of title, Government bearing the cost of any compensation found to be due to a person whose rights have not been duly recorded. Also, a mortgage is certified in Germany by a "deed of mortgage" bearing an extract from the land record, and since the entry in the land record is in Germany the legal basis of the mortgage, the legal basis of the "deed of mortgage" is universally accepted as sufficient and passes from hand to hand as a security. These circumstances are said to account for the success of the land mortgage banks in Germany. I am afraid the possibilities of reform on these lines in this province appear doubtful. Anyway, they require careful examination from the point of view of the existing law on the subject.

It is also necessary to provide against claims which exist independently of documentary creation, especially of co-sharers. Whether the legal process of 'purge' said to exist in France is possible of introduction here is a matter which legal experts may usefully consider. Some such legal safeguards are necessary to ensure the security of loans and to avoid possibilities of litigation with which land mortgage bank may be confronted in their absence.

(b) For the effective and successful working of a mortgage bank, it is necessary to invest it with summary and cheap legal methods for recovery of debts and sale of borrowers' property pledged for loans in the event of non-payment. It may appear risky to entrust banks with this authority in the earlier stages but with adequate safeguards for the use of this power, this will prove in the long run very effective and will ensure punctuality of repayment upon which the confidence of the public in the mortgage banks depends. Cheap money is possible provided the lender is sure of getting his money back. If the bank cannot recover its loans with ease and certainty, it should raise its interest rates. It may be provided that in the event of non-payment of annuities due by the debtor without sufficient cause shown, the produce and other movable property of the defaulter may be seized first subject to the limitations laid down in section 60 of the Civil Procedure Code and if these are not found sufficient the bank may attach the mortgaged property, sell it in public auction or take over and administer, of its own motion, the property by appointing a receiver.

I extract below the relevant section relating to the summary process of recovery of sums due to the Land Mortgage Credit Associations in Denmark, and it is for consideration whether some such powers may be given to the mortgage banks with due safeguards against abuse of the privilege:—

"The directors may with legal effect agree with the members or debtors of the association that the latter do in the mortgage deed given by them to the association grant the directors the right that if they do not fulfil their contractual obligations, the directors may in execution make distraint upon the property given in pledge and its appurtenances and may thereafter cause the same to be sold in public auction, and in case of necessity may take it over as property of the association without previous arbitration, recourse to court or judgment, in which case the distraint made by the directors of the association or the auction subsequently ordered shall not be stayed or called in question in any appeal to higher authority, such auction being held in accordance with the notifications of 22nd April 1817 and 11th September 1833, whereby the member or debtor concerned is empowered to institute a suit for restitution in order to obtain full compensation from the association."

(c) A reduction of costs as suggested in the question may help the banks.

Working capital.—(a) The funds may not be obtained from deposits. Deposits run for a very short period, and a land mortgage bank cannot depend upon this source. Those that put in deposits are mostly professional middle classes and Government servants, and they may not reasonably afford to invest their savings for long periods. In land mortgage banks deposits play a comparatively unimportant part. This item therefore may be practically ruled out so far as a land mortgage bank is concerned.

(b) It is not known what '*central institutions*' refer to; probably the reference is to a central land mortgage bank to which I will refer presently.

(c) *Debenture bonds* will constitute the important item of the working capital of the proposed mortgage banks. That has been so in the case of land credit institutions in other countries, and there appears no other alternative even here. The main distinction between deposit and investment is that a depositor has to have his money repaid to him in cash on demand, whereas an investment derives its value from the fact that it can be sold and transferred and that there is a market for its sale. It has of course in many cases to be eventually repaid, but only at a stated date some time ahead. This is possible only through development of the debenture where the principal is secured by a definite mortgage.

Moreover, there are certain advantages in land banks raising money by means of debentures: (a) debentures are issued only when there is demand for loans—interest-bearing surplus deposits are a source of loss to banks; (b) deposits are for short periods or repayable at call and they cannot be locked up in long-term loans—debentures run for as long a period as loans advanced and there is therefore no locking up funds; and (c) investors obtain their money whenever they want by selling debentures in the market.

From all points of view therefore it follows that the mortgage banks must raise moneys mainly by the issue and sale of debentures and must offer a reasonable rate of interest. As most people in the Province are not familiar with the bonds and as the business is new, in the initial stages it is necessary to offer a fair rate of interest to attract funds. Otherwise it may be difficult to secure the sale of debentures on a large scale. Six per cent may be fixed as the maximum rate.

Non-liability to attachment.—Debentures should not be made liable to attachment or sale under any decree or order of court of justice in respect of any debt or liability incurred by such member.

Central land mortgage bank.—Even as it is, the working of the land mortgage banks so far in our Presidency suggests that they have not with a few exceptions succeeded to attract funds by sale of debentures,

This leads to a consideration of the necessity of a central mortgage institution. The necessity for such an institution is not doubted. It has received support from the Conference of Registrars of Co-operative Societies in India held in 1926 at Bombay. The Madras Committee on Co-operation (1927-28) has recommended the formation of such a body and latterly the Royal Commission on Agriculture has endorsed it. The advantage of a central land mortgage bank is that it commands a wider and cheaper market than banks of a purely local character; on the other hand, it cannot, as in the case of a local bank, command that local, detailed knowledge which in a credit bank is essential, if its financial position is to be absolutely safe. While a central bank enjoys cheap credit, a local bank enjoys good security through personal, local knowledge of the borrower, his property and other circumstances. The central land mortgage bank constituted with primary land mortgage banks and non-borrowing individuals as shareholders may float debentures on mortgages transferred to it by primary mortgage banks and finance the latter out of the sale proceeds of debentures.

Rate of interest.—The rate of interest to the members may not exceed 9 or 9½ per cent. There should be sufficient margin to cover expenses of the bank. On the other hand, it should not be so high as to hit the borrower hard. In some European countries, the rates of interest reach 9½ per cent and it is not considered high in view of the rates at which agriculturists generally raise money. For instance, it is laid down in the case of the *Bulgarian Land Mortgage Bank* that the rate of interest which will be required from customers of the bank must not exceed by more than 2½ per cent the rate of interest paid by the bank to the holders of its bonds. Since the *Bulgarian State* has guaranteed an interest of 7 per cent on the capital engaged in the bank, the persons having received credits against mortgages will not have to pay more than 9½ per cent per year while moreover in Bulgaria a rate of interest of 16 per cent and more frequently has to be paid for mortgage loans. It may also be added that out of 20,000 shares of the *Bulgarian Bank*, 2,000 are reserved for the *Bulgarian Government*, 2,000 to the insurance companies, etc.

Government guarantee.—(i) In the initial stages it is necessary that Government should guarantee interest on the debentures issued by the mortgage banks with a view to ensure confidence among the public.

(ii) It is also desirable that Government also find it convenient to subscribe to the debentures; for, as the *Royal Commission on Agriculture* suggested, loans under the *Land Improvement Loans Act* may be advanced to the mortgage banks to be advanced only for the purposes which that Act recognizes.

(iii) In addition, the Imperial Bank also may assist the flotation of debentures of land mortgage banks by making advances under section 20 of the *Trusts Act* against mortgages taken by them and endorsed in favour of the Imperial Bank.

(iv) Government may also be called upon to contribute in initial stages towards the cost of employing expert valuers for purposes of land valuation. It is necessary further that all the privileges conferred on co-operative societies such as exemption from stamp duty, registration fees, income-tax, etc., are continued in favour of mortgage banks.

(v) All religious institutions may be permitted to invest their unused funds in the debentures of land mortgage banks. It is said that funds are available with the Court of Wards. They may be diverted to the investment in debenture bonds. The insurance companies, for instance, which have got large funds may be permitted to do likewise. In all possible ways Government should assist the mortgage banks at any rate in the early stages of their working.

Government control.—(1) It is necessary to take steps to secure Government against unnecessary loss. Government must have representation on the Board of Management of the land mortgage bank to safeguard its interests and must nominate some of its officers to the Board of Management of the bank, as the Central Government does in the case of the Imperial Bank of India.

(2) The appointment by Government of one of its responsible officers, preferably the Registrar of Co-operative Societies, as the trustee will be another safeguard. It will be his duty to see that the bank is run on

sound lines and that it fulfils its obligations to the debenture-holders. He may be entrusted with necessary powers to carry out his heavy responsibilities.

(3) *The appointment of the expert staff of the land mortgage bank for the purpose of carrying out valuation of land, scrutiny into the titles, etc., may be made subject to the previous approval of the trustee or of Government.*

(4) *Government must have power on the suggestion of the trustee to interfere with the conduct of affairs of the bank such as, for instance, rescinding or vetoing any proceedings of the bank which in the opinion of Government are not calculated to the proper administration of the bank.*

(5) *The issue of debentures by the bank may be made subject to the previous approval of Government or of the Ministry concerned.*

(6) *The rule that the amount of debentures in circulation shall in no case exceed the amount of loans outstanding should be rigorously enforced. Otherwise, a portion of the bonds would not be secured by mortgages, and this may reduce the popularity of debentures and bring down their market value.*

(7) *Government must insist on the frequent publication of accounts of the bank in the official Gazette and the audit of its accounts by qualified auditors whose appointment will of course be subject to the approval of the Registrar of Co-operative Societies.*

5. *Indebtedness of agricultural classes.*

Absence of data for an estimate.—So far as I know, there is no estimate of the existing indebtedness of the agricultural classes for this district, nor has any systematic attempt been made for an economic survey of any of the villages in the district.

Existing sources of information.—I have furnished above the amount lent to agriculturists by the co-operative societies in the district as also the total outstanding loans advanced by Government under the Agriculturists' Loans Act and the Land Improvement Loans Act. It is possible to get an idea of the private money-lending business in the district from the statistics of the Income-tax Department. For instance, the number of money-lenders, the amount involved in lending in the district, etc., may be gathered from the records of that department—I regret that owing to the strictly confidential nature of the records, I could not have access to a very useful source of information on private money-lending. The Registration Department may throw some light on the mortgage indebtedness generally in the district.

Recommendations of the Economic Enquiry Committee recalled.—For an accurate estimate of the indebtedness of the agricultural classes, it is necessary to institute a comprehensive enquiry through a special staff for this purpose under a Provincial Board of Economic Enquiry as suggested by the Indian Economic Enquiry Committee (1925). There should be investigators entrusted with the collection by intensive study of data relating to wealth, indebtedness, etc. They may be invariably assisted by a small committee consisting of the village accountant, the village headman, and a few leading residents of the village under survey. The help of the co-operative societies will be most valuable for enquiries relating to indebtedness. The Indian Economic Enquiry Committee suggested two district agencies in each district for collecting economic data working under the supervision of the Revenue Department. The investigators will be able, according to the Committee, to collect every year data relating to about 2½ per cent of the rural and 4 per cent of the urban population. It is expected by the Committee that as data continue to accumulate through the results of investigation, generalizations from them will become more and more reliable.

Difficulties of investigations.—It is true that enquiries of this sort will be beset with difficulties in the existing state of affairs in villages. But there appears to be no short cut to a laborious and detailed economic enquiry on some such lines as suggested by the Committee. It is necessary to remember that any deductions that might be made or conclusions arrived at must be based on accurate knowledge and not on guess-work.

and that knowledge must be gathered mainly in a statistical form. In statistics quality is a great deal more important than quantity. The position has been well put by Dr. Gilbert Slater as follows:—"You can gather together statistical information on a vast scale, and then hand the facts and figures collected to a body of experts who will collate them and draw the inferences from them which they are capable of yielding and then you can have economic experts to advise on policy which the results indicate as advisable. But the whole of this work is vitiated if the clerks or village officials, who in the first place gather the information, fail to put down what is actually the fact. It appears to me that in India it generally happens that the first collector of statistical information has very little appreciation of the object for which the statistics are required and very little conscientiousness in the matter of accuracy."

Absence of statistics relating to mortgage indebtedness of agriculturists.—In the absence of definite statistics relating to indebtedness, it is difficult to give an idea of mortgage indebtedness even. This is not peculiar to this district or to the country in general. Even in European countries, for instance, it has been said that "*statistical returns of this important phenomenon (mortgage indebtedness) are not as widely available or as frequent as would be desirable, owing to their complexity and the lengthy and detailed work necessitated.*" In certain countries preliminary arrangements for such returns have been made but either nothing further has been done or a beginning has been made and not followed up."

With regard to India the following extract appears in the International Review of Agriculture, February 1929:—

"India.—Mortgage loan business is mainly in the hands of money-lenders, but a certain regulation by the Government exists. In India, indebtedness of the peasant is an accepted fact in the social and economic structure, and one of immense importance, although exact figures are not ascertainable. A movement for establishing co-operative land mortgage banks is in progress, and 12 such banks are already in existence in the Punjab and 15 in Madras Province."

In the same review the following concluding remarks on the mortgage indebtedness of farmers are instructive:—

"From the available data it appears that there was generally speaking a decrease in the rural mortgage indebtedness during the war and in the years immediately following the war due to the smaller demand for capital on loan, and to the tendency of borrowers to profit by the depreciation of the currencies, to free themselves from the burden of debt; once the phase of deflation and stabilisation had begun, the effects were especially felt in agriculture and there was a recrudescence of indebtedness. It is however evident that this phenomenon is not everywhere an indication of poverty, since in many countries, now that the crisis of rehabilitation is over, the economic revival is taking shape in agriculture in the form of a growing demand for credit for production purposes which is a favourable symptom of the new situation, that is, in some countries, now arising. The inadequacy of the statistics of land mortgage operations is the more regrettable as such statistics would enable us to ascertain not only the causes of indebtedness but also the extent to which the indebtedness is an index of economic progress or of the reverse, and would supply definite information on conditions of land ownership which would form valuable material of enquiry and consideration by legislators and administrators."

Indebtedness in the Madras Presidency.—Sir Frederick Nicholson's enquiries.—The subject has been at some length discussed from various points of view in his very interesting and instructive report on land and agricultural banks, volume I, pages 269—274, by Sir Frederick Nicholson. Things have changed considerably since he wrote; nevertheless his general observations are still instructive.

Anantapur district.—From the general remarks submitted above, it is difficult to arrive at anything like an approximate estimate of the total indebtedness of the agricultural classes of the district or the total amount of capital required for various purposes referred to in question No. 1. This is possible, as I submitted, only after an intensive economic survey

of the district is taken. I beg, however, to refer to a few sidelights thrown on the question of indebtedness from a few occasional enquiries conducted here and there.

Anantapur taluk—Results of an agricultural survey (1927).—An agricultural survey of the Anantapur taluk was made by a brother officer of the Agricultural Department, a former Assistant Director in this circle in 1921. That may be taken as typical of the general conditions of the district and I extract below from his report:—

"Indebtedness.—It is next to impossibility to get even an approximate idea of the indebtedness of the ryot since no ryot is willing to give out the exact amount of his indebtedness for fear of further credit. I made enquiries in 66 villages and as per figures I was able to obtain the indebtedness of these villages extended to Rs. 15,31,000. Of this amount Rs. 5,30,350 were borrowed on mortgages from sowcars, co-operative societies and takavi loans. Co-operative societies, I understand, have lent to the extent of Rs. 1,46,500. The remaining amount of money was borrowed on pro-notes, bonds, etc., and even on trust deeds without mortgages. The ordinary rate of interest is 12 per cent but the rich and solvent ryots get money at 9 per cent. Sometimes the interest is as high as 36 per cent. The interest depends upon the security for the amount lent as in the case of any other place.

"The average ryot has practically exhausted his resources of credit and it is very hard to get any further loan even on a high rate of interest. This is because the ryot is unable to repay the loans which he has already borrowed on account of successive bad seasons for the past 9 or 10 years and he is not even able to purchase good cattle and necessary implements. In several cases the accumulated debts went higher than the value of the properties owned by the ryot; the sowcars snatched the lands and the cultivators in several places were all reduced to ordinary labourers. There are many more who are on the verge of insolvency and it is only a question of time of their being reduced to the state of coolies. . . .

"On my enquiry why they should not borrow more takavi loans from the Government and sink wells and purchase better cattle, I was made to understand by the ryots that they were not in favour of Government loans. The complaint is that they would not get these loans at the time when they actually require money and secondly that they would not get more than 75 to 80 per cent of the money lent to them. This is because they say that unless the village officers and petty officials of the Revenue Department are promised something the loans are never recommended. They are also unwilling to give security of their lands as this would necessarily curtail their capacity to borrow money from other sources. The cry everywhere is for facilities for irrigation rather than Government loans."

Settlement report (1926).—Further light on the indebtedness of agriculturists in this district may be had from the re-settlement scheme report of the red soil taluks of the Anantapur district (1926). The Settlement Officer who carried out the re-settlement has made the following instructive remarks under the head 'Indebtedness':—

"An enquiry was made in 37 villages in the tract. Out of the total amount of Rs. 11,44,692 borrowed on simple and usufructuary mortgages a sum of Rs. 4,36,581 was outstanding in the year 1924. Besides this, there was an outstanding unsecured debt of Rupees 4,96,201 on pro-notes, bonds, current accounts and the like. I have mentioned in paragraph 11 the total amount advanced during the last famine under the Agriculturists' and Land Improvement Loans Acts, and the total amount lent by the co-operative credit societies will be seen from paragraph 25. These adventitious aids have greatly helped the ryots who appreciate the benefits of such loans. But it cannot be denied at the same time that they considerably add to the debt side of the ryot's ledger.

"Credit is a necessity for the agriculturist as he depends to a large extent on borrowed capital for operations requiring a large initial outlay at any rate. The rise in the value of food grains and the consequent increase in the value of the lands gives to possessors of land the power of commanding outside credit. Where the debt is contracted purely for operations connected with agriculture there will not be much room for cavil.

A succession of bad seasons has exhausted the improvident, the extravagant or the exceptionally unfortunate and I am inclined to think that owing to this, indebtedness has increased among the smaller ryots in recent years."

Purpose of loans.—The purposes for which the debt was incurred in the thirty-seven villages were furnished in the report referred to as follows:—

Purpose.	Percentage of total debt.
Purchase of land	16
Improvement of land, etc.	13
Construction of houses	2
Celebration of marriages	17
Family expenses	17
Trade	10
Discharging old debts	6
Purchase of livestock	17
Litigation	2

The high percentage under family expenses is significant and was the result of successive bad seasons.

The figures with regard to the debt due to Government and to co-operative societies are given in my reply to question No. 1. A large amount of debt is due to professional money-lenders and consists of both debt secured by registered mortgages and of unsecured debts given against the general assets of the agriculturists without a specific pledge. With regard to mortgage debt the following paragraph taken from the re-settlement report may be of interest:—

"Mortgages.—Extracts were taken from the Sub-Registrars' Offices for the mortgages relating to 37 villages selected in the tract. These were verified in the villages and the outstanding debts ascertained. In the villages selected, the total borrowings on simple mortgages were Rs. 1,14,947 in the first period (i.e., 1896—1905), Rs. 3,58,780-1-0 in the second period (1906—15) and Rs. 5,74,391-7-0 in the third period (1916—24). Those on usufructuary mortgages were Rs. 16,244-14-0 in the first period, Rs. 46,519-12-0 in the second period, and Rs. 33,808-8-0 in the third period. The total borrowings for the period were thus Rs. 11,44,691-10-0 on the security of 33,836·36 acres of land."

Two conclusions may thus be drawn from these statistics:—

(a) There has been an increase in the mortgage indebtedness in the six taluks of the district under reference; and

(b) loans on simple mortgage are proportionately for larger than loans on usufructuary mortgages.

Fear of unproductive debt.—An increase in indebtedness does not matter, provided debt is incurred for productive purpose. An increase in rural indebtedness is consistent with agricultural prosperity. But the danger consists in the unproductive nature of the debt. My own impression, so far as I have observed the conditions of this district, is that the ryots resort to mortgage loans in most cases because they have exhausted their entire personal credit with the sowcar, and the latter would not accommodate him any more unless there is adequate material security for the loan. Mortgage security is therefore in most cases an indication of the reduced financial circumstances of the borrowing ryot, and from the figures of mortgage indebtedness which I furnished above, there is ample justification for the widespread belief of an increase in the mortgage indebtedness in the district, and most of it is for unproductive purposes. This is a serious factor which should receive attention, as its existence is most prejudicial to agricultural progress.

Class of borrowers and lenders.—It is further pointed out that in the villages examined 88 per cent of the debtors are of the class of pattadars paying less than Rs. 90 assessment and account for 78 per cent of the

total borrowings. Out of the total outstanding debt of Rs. 9,32,789, Rs. 5,15,806 was advanced by the ryots themselves (Rs. 2,94,441 by resident ryots and the rest by non-resident ryots). It is significant that the amount advanced by resident ryots paying Rs. 30 and less of assessment is only 19 per cent of the total borrowings although as already stated, they constitute about 95 per cent out of the total number of pattadars.

“Merchants and non-pattadars have advanced 45 per cent of the total loans. The village Baniya is represented more as a parasite on the village than a member of it who trades on the misery and ignorance of the ryot and is frequently the ruin of the agriculturists. Notwithstanding this, the ryot still looks to him for assistance in times of need and the unbusinesslike and improvident ryot would borrow from him and pay more interest rather than turn his eyes to the more favourable credit institutions and regularly repay the loan. The Baniya generally gives the ryot a long rope and saps his resources quietly and slowly. He is not so anxious to get hold of the ryot's land as to get the maximum return possible on the amount lent by him. In many cases, and particularly where the land is inferior and the means of the ryot small, the loans take the form of advances of grain against the coming crop. Such advances are made for seed as well as for subsistence. Where they are made for subsistence, the interest is generally from 25 to 37½ per cent according to the means of the borrower and his status in the village. When it takes the form of advance of seed, one and a half times the quantity borrowed is repayable at the next harvest, i.e., six months after the taking of the loan and, if the borrower is from any cause unable to repay the loan at the next harvest, a further interest of half the total quantity due at the first harvest is repayable at the succeeding harvest. Such transactions do not involve any documentary evidence. The poorer classes of ryots have gone in for such loans in recent years.

Interest rates.—The interest on cash loans in the villages examined is given below:—

76 per cent of the total borrowings on the security of the land.	12 per cent and less.
12 do. do.	12 and 18 per cent.
2 do. do.	18 and 24 per cent.
80 per cent of unsecured debt	19 per cent and less.
15 do.	Between 12 and 18 per cent.
2 do.	18 and 24 per cent.
1 do.	Over 24 per cent.

In view of the poverty of the borrowers and the lands in these taluks the rates of interest cannot be regarded as high.

Generally if the loans are not paid in one lump on the due date—which may not exceed two or three years—the practice is to charge compound interest and the execution of a fresh pro-note. The charging of compound interest swells the loan considerably till at last it becomes impossible for the borrower to repay. When the loans take the form of advances of seed one and a half times the quantity borrowed is repayable at the next harvest, that is, six months after the taking of the loan, and if the borrower is from any cause unable to repay the loan at the next harvest a further interest of half the total quantity due at the first harvest is repayable at the succeeding harvest. Such transactions do not involve any documentary evidence. The poorer classes of ryots have gone in for such loans in recent years. The resulting consequences may be easily imagined.

The passing on of land into the hands of creditors not very marked.—The facts so far put forth will make it clear that the smaller classes of agriculturists at any rate are moving in a vicious circle. They borrow, fail to repay; compound interest is levied; a fresh pro-note is executed; the debt swells. The process repeats itself during the lifetime of the borrower, and at the time of his death this swollen debt is passed on to his son. The son starts with a heavy load of debt, and all

the property which he inherits is not adequate for its wholesale clearance. The amount of this hereditary debt is, I am afraid, increasing in this district year after year. It is true that the land is not passing on a large scale into the hands of non-cultivating creditors through the process of the enforcement of the old debts as may be gathered from settlement records. As I submitted already under the head, "value of land", the one noticeable feature as regards the sale statistics is the paucity of sales of land. For one thing, much of the purely dry land has of course no sale value owing to the natural poverty of the soil and the availability for occupation of considerable stretches of similar land.

Village enquiries.—It is also gathered from the reports that in 14 villages where economic enquiries were made by the settlement officer, it is found that the non-cultivating pattadars form only 10 per cent. If the number of such pattadars who live within 10 miles of the villages in which they own land and consequently have facilities for supervision over the cultivation of their holdings, are excluded, the real absentee pattadars form only three per cent. Roughly, the area not cultivated by the pattadar himself is nine per cent of the total occupied area. The reason for this is to be attributed, as already submitted, to the poverty of the soil of most of the cultivated land in the district. It has been observed by the settlement officer that the village Baniya is not so anxious to get hold of the ryot's land as to get the maximum return possible on the amount lent by him, and this is done by compelling the ryot to dispose of the produce. Commercial crops are more coveted than dry land.

It is observed in the Resettlement Scheme Report (1926) that "From the general course of the special staff enquiry, it would seem that the ryots as a whole managed to retain control of their holdings. Recourse to the sower does not mean the loss of that control. The sower is too wise to covert the lands on the security of which he has advanced the loan. He grabs at it in the last resort when the loan is not recoverable in any other manner."

Tendencies nevertheless visible.—Though this is generally true there is evidence to point to the tendencies in the direction of expropriation of smaller agriculturists and the passing of the land out of their hands. I would invite attention to the observations made by the officer who made the agricultural survey of the Anantapur taluk. He points out that "in several cases the accumulated debts went higher than the value of the property owned by the ryot; the sowcars snatched the lands and the cultivators in several places were all reduced to ordinary labourers. There are many more who are on the verge of insolvency and it is only a question of time of their being reduced to the state of coolies. The ryot is on the whole in the downward path of poverty."

Thus it may be seen that the process in some places at any rate in the district is becoming gradually pronounced, and it is time that before it develops into serious proportions the tendency should be checked.

Legislation needed.—I submitted in dealing with the existing defects in the present system of agricultural finance and suggestions for improvement that the possibilities of introduction of an Act like the Punjab Alienation Act and Money Lenders Acts might advantageously be considered with a view to check this tendency in rural areas. It is true that legislatures will be confronted with difficulties and attacks from vested interests. The economic interests of a large mass of agriculturists should outweigh other considerations. Contentment of agricultural classes is the foundation on which any Government can possibly rest. If once discontent becomes wide spread, no force of Government could get them under control. History repeats itself, and history has lessons to the statesmen in India as it has had lessons to statesmen in other lands.

Ancestral debt and its influence; necessity for legislation.—This process of expropriation of the tenant is largely assisted by the dead-weight of ancestral debt, and unless the question of hereditary debt is earnestly tackled, any extension of credit facilities would not. I submit, successfully meet the situation. All attempts at reform and extended opportunities for credit may not be taken advantage of by agriculturists, if

they are not freed from this burden. Every report on the Administration of Civil Justice, the Royal Commission on Agriculture points out, bears witness to the volume of unsatisfied decrees against cultivators; the main cause of debt of to-day is the debt of yesterday, and there is considerable volume of rural insolvency. Their recommendation therefore that there should be a simple Rural Insolvency Act with provision for conciliation boards, deserves the consideration of the Local Government simultaneously with attempts to provide extended credit facilities to agriculturists.

Insolvency petition—Mufassal courts.—It is instructive to refer in this connexion to the following extract from the 'Statistics of Civil Courts in the Madras Presidency for the year 1927' on insolvency petitions in mufassal courts:—

"The number of insolvency petitions presented to the mufassal courts was 4,245 against 3,865 in 1926. The number of petitions disposed of was 5,177 against 6,645 in the previous year (those figures including petitions transferred to Official Receivers and entered and disposed of twice) and the number pending at the close of the year was 2,168 against 2,334 in 1926. The number of petitions granted was 3,097 against 1,988 in 1926. The total value of creditors' claims admitted was rupees 91,99,423 against Rs. 46,47,023 in the previous year and the total amount of assets distributed was Rs. 18,39,657 against Rs. 8,13,537 in 1926. The number of insolvents discharged was 408."

It is instructive to note that both the number of petitions presented in the Presidency and the number granted increased during the year under reference.

Anantapur.—The following observations from the report on the Administration of Civil Justice in the Anantapur district during the year 1928 are instructive:—

Execution applications.—The total number of applications for execution received in all the courts in the district in 1928 was 5,056 against 4,529 in 1927. The number disposed of was 4,889 against 4,773 in 1927. Satisfaction in full was obtained in 815 (i.e., 16.6 per cent) and in part in 472 (i.e., 9.6 per cent) of the applications disposed of. The number of wholly infructuous applications was 3,600 against 3,476 in 1927. The total amount realised in execution was Rs. 2,30,606-0-0 against rupees 2,02,399 in 1927. The number of debtors imprisoned in execution in 1928 was 17 against 14 in 1927.

Insolvency applications.—The number of insolvency applications presented to the several courts in the district was 96 against 87 in 1927. The number disposed of was 93 as in 1927 and the pendency at the end of the year was 41 against 34 at the end of 1927. The number of petitions granted was 67 and the number in which discharges were ordered 13 against 65 and 14 in 1927."

6. *Subsidiary industries supplemental to agriculture—their comparative insignificance in the district.*—There are very few industries of the description referred to in the question. Rice-milling, dairy-farming, etc., are not found in the district. Garden produce is not raised on a large scale. Here and there a few attempts are being made of raising garden produce by means of well-irrigation through pumping installation. But the ryot population have not yet realised the advantage of money crops, such as, onion, tobacco, sugarcane, turmeric, chillies, etc. All that they want is food-grains for home consumption and it is because their economic situation is such that they are unable to think of anything beyond their immediate necessities.

The following observations are extracted from the agricultural survey of the Anantapur taluk referred to above:—

"Judging from the existing wells there seems to be a large scope for well cultivation throughout the taluk. But no investigations seem to have yet been carried out with regard to the underground water-supply. It is desirable, considering the poor nature of the soil, uncertainty of rainfall and also water-supply from the tanks, to fully investigate the underground water-supply so that the ryots could sink more wells and extend garden cultivation. The cost of garden cultivation is naturally

high since the water has to be baled out by mhote. But the ryots unfortunately are not benefited to the extent they should be benefited. They have no higher thoughts than raising the food crops for their immediate use and they do not seem to have realised that *they could grow more remunerative crops* and could purchase their necessities from the money realised from these crops. They could grow very conveniently onions, chillies, tobacco, sugarcane, turmeric, cambodia cotton, etc., and it is worth while to try these crops, here and there, before they are advocated wholesale. These crops, no doubt, require more manure, but manure could be supplied by the co-operative societies."

Cotton ginneries are confined to the two black cotton taluks of Gooty and Tadpatri. They are worked by capitalists and absorb the labour of agricultural labourers after harvesting is over.

Hand-spinning is to be found in most of the villages in the district. Almost every village has a few charkas worked only during off-season. On the whole the industry has not been flourishing, on the other hand it *has been decaying* and practically it has become dead; it is doubtful how far it may be revived. Mill-made yarn has already invaded the country side. It is true that hand-spinning may add to the meagre earnings of the ordinary agriculturist especially so in this district where there are hardly more suitable subsidiary occupations.

It has been suggested that *attempts* may be made by Government and the public to *encourage the decadent hand-spinning* by

- (i) improving charka;
- (ii) improving the hand-spinning machine;
- (iii) supplying charkas and other appliances on hire purchase system; and
- (iv) purchasing Government requirements of cloth in khadi wherever possible.

Tangedu bark collection.—'Tangedu' plant grows on a large scale in the district. The bark is collected and exported in large quantities for purposes of tanning by the *Labbe* merchants who have established themselves in some places in the district. Attempts were made to bring this business of collecting tangedu bark within co-operative organization but owing to the absence of interest on the part of the agricultural labourers—who are mostly engaged in this business—partly to the opposition of the vested interests and lack of sympathy on the part of the Forest panchayats and of co-ordination on the part of the Forest Department, the attempts had to be given up. I do not think that much can be done in the matter nor would it contribute materially to the problem of spare-time occupation of agricultural population in the district even if the question is taken up for consideration afresh.

Aloe fibre.—Aloe plant grows widely in the district especially in Penukonda taluk over some thousands of acres and machinery has been installed to extract the fibre. I understand that recently a loan has been advanced to the gentleman who is working the plantation in that taluk under the State Aid to Industries Act. Others sell the fibre to dealers in yarn and to mat-makers who use it for warps in weaving mats. Aloe plant requires very little moisture and the district appears to be eminently suited for its growth. The question of establishing an industrial business to utilise the aloe fibre may be usefully investigated by Government. This would give a small addition to the income of the agriculturists in the district; especially in times of seasonal distress it may be of considerable help.

Sunn hemp is grown here and there but not on a large scale. Fibre is extracted and gunnies are generally woven. This is carried on as a subsidiary occupation in a few villages in the district. The industry is said to be in most cases not sufficiently paying. A suggestion is thrown that if improved spinning and weaving processes could be demonstrated to the workers and more efficient appliances introduced, the industry will be more paying. It is a matter for investigation.

Hand-made paper.—The following extract may be of interest with regard to the attempts made in the district at hand-made paper:—

“Nyamaddala, a village 15 miles from Dharmavaram (Anantapur) and $3\frac{1}{2}$ miles from Yerrampalle railway station on the Guntakal-Bangalore line, was once a seat of manufacture of rough paper. The industry was in a flourishing condition some years ago when there was a large demand for the stuff from Bellary. After the advent of fine paper from Bombay, the industry declined gradually and died out some twenty years ago. It was resuscitated seven or eight years ago by a Bellary merchant who made advances to the workers, but after a time the merchant, finding no sales for the articles, gave up the business. An attempt was again made three years ago by the co-operative bank at Anantapur to revive the industry by advancing a loan of Rs. 100 to the workers and contracting with them to purchase paper at Rs. 2 per 10 dozens of double foolscap size. After the contract was finished, no further work was given.

The industry might be improved as a cottage industry, if some cheap paste can be substituted for the costly rice paste that is now used and some expert advice given to secure smoothness for the surface of the paper. The fact that attempts were so recently made to revive the industry seems to suggest that there may be still some local demand for the product. One or two workers may be assisted to see how things are done in a mill and utilise their knowledge for the improvement of their cottage industry by effecting such changes as may be necessary in the process of manufacture as well as in the selection of raw materials, but even then, it is extremely doubtful if the industry can ever thrive.”

Resume.—It may thus be seen that the occupations subsidiary to agriculture in their present form are practically of no consequence. The organization of some of these at any rate through Government aid, private effort and co-operative organization on a commercial scale may give supplementary income to agriculturists by providing spare-time occupation and deserves much more detailed examination by Government and the local public.

Handloom weaving (cotton) industry.—This is fairly widespread in the district and a good number of weavers and other communities are engaged in the occupation. Cotton weaving industry in the district consists of mainly weaving coarse sheeting which the average ryot wears.

Co-operative effort—Difficulties.—A few societies have been organized on a co-operative basis for the weaving classes but they have not been working satisfactorily. The reasons may be briefly noted as follows:—

- (i) the drink evil among the weavers;
- (ii) their extreme indebtedness;
- (iii) the dependence of the smaller weavers upon the yarn dealers or master weavers for advances of yarn, cash, etc.,
- (iv) opposition of the master weavers and capitalists;
- (v) want of businessmen to run the societies on business lines; and
- (vi) lack of facilities for exporting finished products, etc.

The Textile Conference and its recommendations.—The whole field of hand-loom industry and the improvement of the economic conditions of weavers has been the subject of enquiry by the Textile Conference appointed by the Madras Government. Their recommendations admit of general application to the industry here. Their important recommendations are:—

(1) A properly conceived policy for the betterment of the economic conditions of weavers and for enabling them to derive benefits of co-operation for their improvement is necessary. Towards that end, a system of co-operative societies specially designed for affording them credit, for supplying them with cheap yarn, for arranging for marketing facilities for their finished products and for supplying them with information on all allied matter should be organized.

(2) Government must render support in giving necessary financial help to strengthen the staff of the department.

(3) Both the textile section of the Industries Department and the Co-operative Department must work conjointly in this respect.

(4) Government may assist the hand-loom industry by providing facilities by rail for transporting yarn and cloth for weavers' co-operative societies.

(5) An organization is suggested for taking the cloth from the weaver and marketing it for him thereby securing continuity of work for the weavers. This organization will study the market conditions, advise weavers what to weave and deal with hand-woven goods duly standardized so that they can be guaranteed for quality and placed in a marketable form.

Silk-weaving.—The principal centre in this district of silk weaving is Dharmavaram. The saries prepared here are in demand almost everywhere in the Presidency and they are exported to all parts. Some of the well-to-do capitalist weavers employ smaller weavers on wages and carry on the business. The improvement of the industry lies mainly in the direction of supplying raw silk direct from producing centres at a fairly cheap rate, say, through a central depot which might act as the wholesale society for the supply of raw material required as well as perform the functions of a selling agency.

Cumbli weaving.—Cumbli weaving is also found in parts of the district, particularly in Beluguppa and Tenagallu of Kalyandrug taluk. Though the cumbilis prepared here do not reach a very high degree of excellence, they are good for ordinary purposes and are exported to Bombay Presidency and Mysore.

The improvement of this industry is closely associated with the improvement in the breed of sheep and provision of facilities for grazing.

Conclusion.—It is learnt that a committee is soon to be appointed to consider the report on the cottage industries submitted by the special officer and to recommend measures necessary to promote the cottage industries in the Presidency. Its labours might result in conclusions helpful to the framing of a definite policy by Government for the encouragement of these industries.

Relations between co-operative banks and other banks.—*The Anantapur District Co-operative Central Bank and the Imperial Bank of India.*—The District Co-operative Central Bank, Anantapur, has been allowed an overdraft of Rs. 50,000 on the recommendation of the Registrar of Co-operative Societies, Madras, and the overdraft is largely used as part of fluid resource and the balance for short-term loans. The grant of overdraft to this central bank as to others in the Presidency is subject to the following conditions:—

(i) interest is payable quarterly at a flat rate of $6\frac{1}{2}$ per cent per annum, calculated on daily debtor balances;

(ii) the cash credit should be utilised only as fluid resource to cover deposits, or as short-term loans repayable within a year;

(iii) as a general rule, the cash credit will not be allowed to an amount exceeding the owned capital of the central bank concerned;

(iv) the central bank concerned should, in addition to the promissory note executed by it, furnish collateral securities in the shape of promissory notes of unlimited liability credit societies in the case of district central banks, and promissory notes of district central banks in the case of the Madras Central Urban Bank;

(v) the actual value of collateral securities furnished should be in excess of the cash credit sanctioned by at least 33 $\frac{1}{3}$ per cent;

(vi) each central bank should forward to the Imperial Bank every quarter a list of promissory notes lodged as collateral securities, showing the amount outstanding on each promissory note together with a certificate to the effect that the promissory notes lodged as collateral securities are in order. The list and the certificate are verified every half-year by the Deputy Registrar concerned and the certificate of each verification is forwarded to the Imperial Bank through the Registrar; and

(vii) such of the promissory notes lodged as collateral securities as have become three years old, or are discharged, should be substituted by fresh promissory notes.

Continuance of existing facilities by the Imperial Bank necessary.—The Imperial Bank of India has been rendering immense service to the co-operative movement and through it, to agriculture. The co-operative central banks might have found it very difficult to maintain the necessary standard of fluid resource without the help they have been receiving from the Imperial Bank. The conditions referred to above have provided ample security for the overdraft. Co-operators therefore regret that this privilege so long allowed should be disturbed now and fresh terms imposed on the central banks. The proposal that these banks should pledge with the Imperial Bank Government securities for the overdraft allowed by it is one for which the co-operators were not prepared. It is not long ago that the Townsend Committee recommended "that, in order to make the existing arrangements absolutely safe, steps be taken to ensure that the continuance of the facilities is made obligatory on the Imperial Bank by some statutory provision, contractual guarantee, or other suitable method." This is a matter which requires the sympathetic consideration of the Provincial Banking Enquiry Committee.

Additional facilities from the Imperial Bank considered.—I beg in this connexion to invite attention to the proceedings of the Conference of the Registrars held at Bombay (1926) and to the resolution passed on this subject and in particular, to the following concessions requested from the Imperial Bank:—

"(2) In view of the concession of remittance transfer receipts at par, whereby societies can remit without commission, the Imperial Bank should be requested to raise the present limit on cheques drawn between their own branches free of commission from Rs. 5,000 to Rs. 20,000, provided that the cheque is drawn by one co-operative bank in favour of another and the transaction is in course of the bona fide business of the banks.

(3) The Imperial Bank be requested to grant interest at 2½ per cent on current accounts over Rs. 5,000.

(4) The Imperial Bank be requested to assist the flotation of debentures of co-operative provincial and land mortgage banks and to agree to make advances under section 20 of the Trusts Act against mortgages taken by the co-operative mortgage bank and endorsed in favour of the Imperial Bank."

There are no joint stock banks (except the branch referred to earlier) in the district and the question of competition therefore does not arise.

Co-operative societies—Short and long-term capital.—Agriculturists require current working capital to carry on their normal seasonal operations on land in addition to long period capital required for the purchase and improvement of land, redemption of mortgages, etc. The primary credit societies have been advancing loans generally for five or six years for all purposes. The period for which societies can advance loans is conditioned by the period for which loans are given by the co-operative central banks. The latter get their funds largely from deposits which are kept in banks for very short periods—two or four years. It is a maxim of sound banking that short-term deposits must be invested in short-term loans. No sound banker would count upon renewals of deposits, and the amount renewed must be represented by fresh business. In the existing conditions of co-operative finance, it is beyond the competence of co-operative societies to attempt to advance long-term mortgage loans. They must, for obvious reasons, confine themselves to short-term loans not exceeding generally twelve months for current agricultural operations and intermediate loans not exceeding five or six years. Long-term mortgage loans must be provided through the land mortgage banks. The village credit society is intended to supply the requirements of the small agriculturists with small needs and limited resources. To attempt to turn the small credit society to a purpose for which it has not been designed is to fail to appreciate its limitations. Moreover, long-term mortgage credit requires a trained and responsible agency for the valuation of land, enquiry into titles, etc., and for the maintenance of valuable documents and title-deeds, and the village panchayat cannot supply the required agency. There should be therefore a financing institution which commands greater resources for long term than the village credit society. The case for two separate credit institutions—the ordinary credit society

confining itself to supplying personal credit for current needs and the mortgage bank giving long-term credit for land improvements, etc.—is supported by the history of the working side by side of similar institutions in Europe.

Preponderance of short-term deposits in co-operative institutions.—The following figures relating to the Anantapur District Co-operative Central Bank bear out what I submitted in the preceding paragraph:—

Particulars of deposits classified according to period.

—	Current deposits.	Other deposits falling due.				In subsequent years.
		In the next 30 days.	In the next 11 months.	In the next 12 months.	In 12 months following.	
	RS.	RS.	RS.	RS.	RS.	RS.
30th June 1929 ..	71,553	55,788	1,93,990	1,23,024	5,639	22,852
30th September 1929	91,051	35,313	2,97,915	1,21,533	9,926	25,133

It may thus be seen from the analysis of the deposits given above that deposits for one or two years far exceed the deposits for longer periods. It is therefore evident that under the existing conditions, it is too much on the part of co-operative central banks to attempt to finance societies for periods exceeding five or six years.

Separation of short-term and long-term finance.—The separation of short and long-term finance has its own advantages. In addition to bringing about an improvement in the existing financial and business methods of societies and central banks, it is likely to make co-operative finance more elastic. The short-term co-operative paper may be got discounted by commercial banks and the proposed reserve bank, as the latter prefer for obvious reasons to discount short-term paper relating to short-term produce transactions. This help is particularly valuable to the co-operative banks in times of financial stress.

Financial concessions to co-operative societies.—It is necessary for some time to grant financial concessions besides those already enjoyed by societies under the Co-operative Societies Act, in order to stimulate the growth of the co-operative movement.

(i) *Exemption from income-tax and super-tax.*—Societies now enjoy the privilege of exemption of their profits from income-tax. The exemption from income-tax should be extended to income from securities and investments. Co-operative societies may also be exempted from super-tax. The Registrar refers to this fact in the Administration Report for the year 1927-28 when he observes "A bank may usefully invest surplus fund and floating balances largely in Government paper, but if it does so, it must apparently pay income-tax on the full amount of interest received on such Government paper."

(ii) *Inclusion of debentures in the list of trustee securities.*—I referred to the necessity for inclusion of debentures in the list of trustee securities in connexion with land mortgage banks. I would invite attention in this connexion to the resolution of the Conference of Registrars held at Bombay (1926)—

"*Trust funds.*—(1) This Conference is of opinion that the Indian Trust Act, 1882, should be so amended as to permit of the investment of trust funds in the debentures of provincial co-operative banks whether interest on such debentures has been guaranteed by Government or not.

(2) It would be left to local Governments to prescribe such conditions as they considered necessary to protect such deposits, such as that the bank has not issued and shall not issue debentures secured on its general assets, and that the bank agree not to create any charge on its general assets."

(iii) *Remittance facilities*.—I submitted under this head in a previous paragraph that more facilities may be provided for the movement of money by relaxing the present limit of amount that may be remitted through treasuries and sub-treasuries.

(iv) *Postal money orders*.—The commission on the postal money orders refunded to societies when remittances are made between them in the neighbouring provinces may also be extended to co-operative societies in this Presidency.

(v) *Prior claim over other creditors*.—Section 19 of the Co-operative Societies Act II of 1912 confers on societies a prior claim on certain property of its members but it permits any creditor possessed of a decree to attach and sell this property because the prior claim only holds good where the society also is a decree-holder. It is better that the prior claim is replaced by a "first charge" when the Act is amended. This is done in the Bombay Act VII of 1925.

APPENDIX A.

Name of produce. (1)	Village. (2)	Taluk. (3)	Name of producer. (4)	Date of sale. (5)	Quantity sold. (6)	To whom sold (mandi or commis- sion merchant). (7)	Sale price per maund. (8)	Gross sale price. (9)
1. Groundnut	Santhebidunur	..	Hindupur ..	16th Decem- ber 1928.	nos. 44½	Katta Krishnaya- gari Nanjundayya, Mandi, Hindupur.	Rs. A. P. 1 10 3	Rs. A. P. 72 9 6
2. Do.	Kirikera	..	Do.	16th Decem- ber 1927.	18½	Katta Gundayya, Hindupur.	1 7 0	26 9 6
3. Do.	Do.	..	Do.	2nd March 1928.	35½	Gayan Adeppa Chetti and Com- pany, Mandi, Hindupur.	1 13 9	65 8 0
4. Do.	Chowlur	..	Do.	30th Decem- ber 1927.	47½	M. R. Kangayya and T. K. Rasappa, Mandi merchants, Hindupur.	1 12 0	82 14 6
5. Do.	Do. Karodi Palli hamlet.	..	Do.	9th Decem- ber 1927.	131½	Katta Kangayya Chetti and Sons, Mandi, Hindupur.	1 10 0	214 1 6

* The local merchant purchased groundnut from other small ryots as follows :—

	MAUNDS.	Rs.	A.	P.
(1) Yellappa	57	at 1 5 3 a maund
(2) Madiga Nagadu	16	at 1 2 9 "
(3) Vugrappa	33½	at 1 2 9 "
				105½

He added to this some more groundnut with him and the total quantity of 131½ was disposed of as shown in this statement.

As may be seen from the statement there was no wholesale merchant between the commission merchant and the Company, i.e., Rally Brothers, who purchased outright unlabelled groundnut.

APPENDIX A—cont.

Name of produce.	Commission.						Carting charges.		Net amount received.
	Dalali. (10)	Rusum. (11)	Coolie. (12)	Mandi padi-kattu. (13)	Mandi allu. (14)	Total. (15)	Cart hire. (16)	Toll. (17)	
1. Ground nut ..	RS. A. P. 2 4 3 at 6 pies per rupee.	RS. A. P. 0 1 6	RS. A. P. 0 3 0	RS. A. P. 0 8 0	RS. A. P. 0 6 9	RS. A. P. 3 7 6	RS. A. P. 1 8 0 (own cart not taken to account).	RS. A. P. 0 4 0	RS. A. P. 69 2 0
2. Do. ..	0 13 6	0 0 9	0 2 0	0 3 0	0 4 0	1 7 0	1 0 0	0 4 0	23 14 6
3. Do. ..	2 0 9	0 1 6	0 3 0	0 6 9	0 6 0	3 2 0	1 0 0	0 4 0	61 2 0
4. Do. ..	2 9 6	0 2 0	0 3 0	0 10 0	0 7 0	3 15 6	2 0 0 (own cart not taken to account).	0 5 0	78 10 0
5. Do. ..	6 11 0	0 3 6	0 8 0	1 7 0	1 4 0	10 2 6	6 0 0	0 12 0	203 3 0

APPENDIX A—cont.

Name of produce.	Name of whole-sale merchant to whom the produce was sold by No. 7.	Quantity purchased by No. 19 from No. 7.	Purchase price per maund.	Ranking purchase prices per maund in the market on that day.	Quantity of seed sold by No. 19 on that day.	Name of company to whom sold.	Sale price by No. 19 per bandy of seed on that day.	Price per candy of seed at Madras harbour.	Sale prices as in the loan and sale society at Hindupur.
	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
1. Ground nut	..	MDs. 204½	ES. A. P. 1 10 6 [3 pice more than the price in column (8)].	ES. A. P. 1 10 0 and 1 10 3 1 10 6 and 1 11 0	300 bags of seed.	Wholesale purchase at Guntakal, name not given.	47 4 0	50 4 0	..
2. Do.	..	229 bags or 7½2½.	1 7 3	1 7 3 1 9 0 1 11 0	For sale on that day but only on 18th December 1929	Rally Bros. ...	40 8 0	52 14 0	1 3 0 1 8 6 1 10 0 on 15th December 1927.
3. Do.	..	35½	1 14 0	1 13 3 1 12 3 1 10 9 1 14 0	No sale on 2nd March 1928 but on only 3rd March 1928	C. K. Narayana Ayyar and Sons.	49 0 0	54 13 0	1 13 9 1st March 1928.
4. Do.	..	157½	1 12 3	1 12 9 1 12 3 1 11 6 1 11 6 1 10 9 1 8 3	230 bags, 200 bags or 67 candies.	Do.	48 8 0	Not available.	1 11 6 1 12 6
5. Do.	..	451½	1 10 3	..	..	....	..	54 8 0	1 2 6 1 7 0

APPENDIX B.

Name of produce.	(1)	Village.	(2)	Taluk.	(3)	Name of producer.	(4)	Quantity sold.	(5)	Date of sale.	(6)	To whom sold (mandi or commission merchant).	(7)	Sale price per maund.	(8)	Gross sale price.	(9)
1. Jaggery	L. C. Santhebidnur.	(2)	Hindupur..	(3)	Kagum Bhima Rao.	(4)	MDS. 33½	(5)	30th January 1928.	(6)	Katta Krishnayyagari Nanjundayya, mandi merchants (Hindupur).	(7)	Rs. A. P. 1 14 0	(8)	Rs. A. P. 63 4 6	(9)
		Columns 5 to 18 are as per accounts of the individual. The transactions as per accounts in the mandi on the same date are different and are as shown below:—						(1) 33½ (2) 10½		20th January 1928.		..		(1) 1 14 0 (2) 2 11 0		63 4 6 17 11 6	
2. Do.	Santhebidnur ..		Hindupur..		Karagasam Venkappa.		44½		31st December 1926.		Do.		2 10 0		81 0 0 91 14 0	
3. Do.	Chowdar ..		Hindupur..		R. Nanjundayya ..		39		27th December 1927.		M. K. Rangayya, mandi merchants (Hindupur).		1 8 6		59 11 6	
4. Do.	Do. ..		Do. ..		Do.		50½		6th January 1928.		Do.		1 4 0		63 2 0	

The transactions shown above are as per accounts of the individual, but his accounts as found in the mandi are altogether different. He actually sold 35½ mds., but he got from the mandi two separate accounts of transactions—one for 35 mds. and another for ½ a maund. This is a deception played on his smaller agriculturists who, it would appear, entrusted the sale of jaggery to his hands. There was only one account in the mandi of this individual on that day for 76½ mds.—64½ mds. sold at Rs. 2-10-0 and 12 mds. at Rs. 2-9-0. The gross sale-proceeds being Rs. 200-1-0 deducting a commission of Rs. 7-7-9, he received a net amount of Rs. 192-9-3, but apparently he got this one transaction split up into many others evidently with a purpose.

APPENDIX B—cont.

Name of produce.	Commission.					Expenses.		Net amount received.	Name of whole-sale merchant to whom sold by No. 7.
	Dalali. (10)	Rusum. (11)	Coolie. (12)	Mandi padikattu. (13)	Mandi allu. (14)	Total. (15)	Cart hire. (16)	Toll. (17)	
1. Jaggery ..	RS. A. P. 1 10 3 (at 0-0-5 per rappee).	RS. A. P. 0 1 6	RS. A. P. 0 2 0	RS. A. P. 0 3 9	RS. A. P. 0 6 0	RS. A. P. 2 7 6	RS. A. P. 1 8 0 own cart not taken to account.	RS. A. P. 0 5 0	RS. A. P. 60 8 0 77 13 3 88 1 3 Sold in retail. Retail.
2. Do. ..	2 1 9 2 6 3	0 1 6 0 1 6	0 3 0 0 3 0	0 5 0 0 6 0	0 7 6 0 8 0	3 2 9 3 8 9	1 8 0 own cart not taken to account. Own cart.	0 4 0	56 11 6 59 9 0 Dasa Pedda Adeppa. Rest in retail. Dasa Pedda Adeppa. Rest in retail.
3. Do. ..	1 13 9	0 1 3	0 3 0	0 4 0	0 6 0	2 12 0	Do.	0 10 0	
4. Do. ..	1 15 6	0 1 6	0 3 0	0 5 0	0 6 0	2 15 0			

APPENDIX B—cont.

Name of produce.	Quantity purchased by No. 19 from No. 7. (20)	Purchase prices per maund. (21)	Ranging purchase price per maund by No. 19 in the market on that day. (22)	To whom sold.		Commission from Nos. 23 and 24.			Ranging sale price per maund of jaggery on that day. (28)
				Retail. (23)	Whole. (24)	Dalali. (25)	Rusum. (26)	Mandi allu. (27)	
1. Jaggery	MDS. ..	Rs. A. P. 1 14 3	..	..	..	..	..	..	Rs. A. P. 1 6 9 1 10 9 1 11 0 1 14 0 2 2 0 2 4 0 2 9 0 2 10 0 2 14 0 1 5 0 1 6 0 1 8 6 1 8 9 1 12 0 2 0 0 2 1 0 2 1 0 1 4 3 1 4 0 1 14 0
2. Do. .. ..	..	2 10 3	..	Retail merchants at Gulapala- yam and Uruvakonda.		..	..	..	..
3. Do.	36	1 8 9	1 5 0 1 6 0 1 8 6 1 8 9 1 12 0 2 0 0 2 1 0	..	..	1 0 3	0 1 6 coolie.	0 1 0 0 5 6	1 5 0 1 6 0 1 8 6 1 8 9 1 12 0 2 0 0 2 1 0 2 1 0 1 4 3 1 4 0 1 14 0
4. Do.	48½	1 4 3	1 4 0 1 4 3 1 6 0 1 9 6 1 11 0	No export taken over by merchants themselves as owners.		..	..	..	1 4 3 to 1 14 0

**Written evidence of T, BHASKARA RAO, Esq., I.C.S.,
Sub-Collector, Penukonda.**

1.—Agricultural credit and credit facilities for small industries.

1. The agriculturists in this division may be roughly classed under the three heads—

- (a) big pattadars,
- (b) small pattadars, and
- (c) landless cultivators depending upon the cultivation of landowners' lands and Government unoccupied lands.

They obtain finance for their various activities in agricultural business as shown below :—

(a) *For expenses during cultivation—Big pattadars.*—These are generally in fairly good circumstances. Their accumulated fortune is a good economic asset; rarely do they find themselves to face the problem of financing their ordinary cultivation business. The various items of cultivation expenses are (1) ploughing of dry lands on the receipt of rain, and (2) of wet lands on receipt of supply to irrigation sources. The self-cultivating ryot is ordinarily equipped with the implements of ploughing. He has to find coolies for actually tilling the land. Then again for wet lands manure, bulls and buffaloes are required. Big pattadars have enough of these generally. In the case of small landholders cultivating other's lands, these are supplied by the landowners themselves or by actual tillers of the soil. For irrigation by wells, big pattadars have their own bulis for the purpose and two or three farm-servants are regularly maintained throughout the year. Then sowing commences. The expenses for sowing are generally the cost of seed grains which are reserved specially for this purpose. The finance problem is not keenly felt by big pattadars for ordinary cultivation business. But sometimes they too have to find means for big items of expenses such as purchasing bulls, iron ploughs, etc. For such big items, takavi loan, loan in co-operative societies and private borrowing, etc., are resorted to.

Small pattadars.—Their cultivation operations are neither expensive nor varied in nature. They generally do the actual work in the fields with their dependants at home. This family *esprit de corps*, among small cultivators makes up for want of accumulated wealth. When bulls or some agricultural implements or manure, etc., are wanted, they either go in for takavi loan or private borrowing. Sometimes the loan of bulls, implements, etc., is resorted to mutually among neighbours. It is here that co-operation in the best sense of the term plays an active part. A bull-owning ryot lends his bulls to his neighbour and gets some service or other in return.

Landless agriculturists.—They cultivate the lands of either big landholders or absentee landholders or the lands of the non-cultivating classes such as Brahmans, etc. They have to find out lands as well as the means for cultivation but generally landholders lease out their lands to the same cultivator unless extraordinary circumstances happen. As regards unoccupied Government lands, custom plays an important part. On a land cultivated by one ryot, other ryots, generally speaking, do not enter. Cultivators of unoccupied Government assessed lands do not pay anything except the assessment fixed for the land. Such sivayi-jama cultivation, as it is locally called, is not generally expensive. All classes of ryots resort to sivayi-jama cultivation.

(b) *For capital and permanent improvement.*—Takavi loan is the most popular means of raising capital and effecting permanent improvement on land. It is the cheapest, surest and the easiest method of raising money and it is the most elastic in the manner of repayment. It is an admitted fact that where takavi loan can be obtained, ryots do not go in for other sources. The rate of interest is cheap and the repayment is spread over a number

of years and the method of repayment is worked with a spirit of sympathy. Where, however, this is not possible such as insufficiency of security on takarar among joint pattadars ryots take to other sources.

(c) *For special needs, i.e., failure of monsoon, etc.*—Generally speaking ryots own bulls, sheep and goats, etc. In times of difficulty, they sell away some of these livestock. When bulls die, takavi loan is applied for. When stock of fodder is lost accidentally such as by fire, etc., ryots freely help one another. In the case of poorer ryots the land revenue assessment payable is small and so no special difficulty is felt. In the case of bigger ryots, their income is considerable and in their cases also no difficulty is felt. The only instance in which payment of land revenue becomes difficult is when crops fail either on account of drought or other unforeseen causes. In such times Government come in for their help by remitting assessment or postponing it according to the intensity of the difficulty.

Advances—

(1) *By Government.*—The rate of interest is 6½ per cent. The period of repayment spreads from 11 to 30 years in the case of advance for well sinking and from 1 to 10 years in the case of advances for the purchase of bulls, etc. The nature of the security is the land to be improved as well as other collateral security. Even personal security is accepted in the case of loans under the Agriculturists Loans Act not exceeding Rs. 100.

(2) *By others.*—A money-lender advances money on the mortgage of lands and sometimes on the security of the crops raised on land. Sometimes gold and silver are pledged and money obtained. Smaller ryots obtain money by pledging household vessels, etc. It is not possible to give an estimate of the total amount of capital required for the above purpose in this division unless a regular enquiry is held.

II.—Indigenous banking.

1. *Functions of indigenous banking.*—The banker (a) advances loans on the security of landed estates or on the pledge of ornaments to the agriculturists, (b) advances money to the local trader for his trading purposes and (c) practises usury by lending money for the unproductive purposes like marriages and such other religious functions. Sometimes the money-lender helps the local manufacturer or artisan with a loan to enable him to begin his trade.

2. The village money-lender is not generally interested either in the welfare of the poverty-stricken peasant or in the permanent improvement of his land.

The agriculturist is almost always poor and he usually cultivates his land with the capital borrowed from the money-lender for which he has to pay a high rate of interest. Sometimes it is even 50 to 60 per cent. It is frequently a part of bargain that the produce should be delivered to the money-lender at a certain price which is always below the market rate. Agriculture being a precarious industry dependent on the uncertain season, the peasant in bad years suffers a heavy loss and is compelled to borrow in order to tide over the period of difficulty. The indebtedness of peasantry has assumed such an intense form that more than half the ryots have to borrow even their seed grain. Some of the landowners have mortgaged all their property to the money-lenders in order to keep on during the last few years of continued failures of the monsoon. The agricultural community has become heavily indebted and the debt will certainly run through the life of the borrower and perhaps this will be also a rich legacy he will bequeath to his heirs.

With regard to the advances made by the money-lender to the trader or the local artisan not much criticism can be levelled at. The capital he might advance may not be much and he does not expect to get much profit out of it. But still the rate of interest is high. And the borrower is expected to sell his commodity to the money-lender at a rate much lower than the actual price or even the cost of production.

And from these the money-lender lends money for the inevitable marriage and equally inevitable law suit. When the agriculturist is unable to pay his land rent he advances him and thus saves him from ejection. He is therefore the only source to which the ever-needy agriculturist goes for relief.

3. (a) On an average the money invested by the money-lenders for their banking purposes may range from Rs. 20,000 to Rs. 25,000 in every fairly big village in the division.

(b) Their expenses may range from 10 to 15 per cent of their investment.

(d) There will not be much transaction between one indigenous bank and another except on occasions when one money-lender or banker wants a handloan unexpectedly for a short time. In case where Marwaris are the bankers there will be such transactions, as different members of the same family will be doing business at different places.

These indigenous bankers and money-lenders look upon the Imperial Bank of India, joint-stock banks, and co-operative societies as their rivals, but they also know that they have been existing in India from time immemorial and that no amount of exertion by the Government and the co-operators would displace them.

Whenever there is a defalcation in a bank, whenever there is news about the closing of a recognized bank, or the cancellation of the registration of a society they are immensely pleased and rejoice over it.

4. Hundis are very commonly used and they facilitate business without actual transfer of metallic money from one place to another.

5. Loans are given on mortgaging lands or ornaments. If the period is long naturally the rate of interest will be low; and if the period is short the rate will be high. They lend money only to the extent of 50 per cent or even less of the value of land or ornament mortgaged. Money is also lent on promissory notes to people who have definite means of income and to such they also grant cash credits.

The rate of interest will of course be high.

6. Generally 20 to 30 per cent is charged by the banker on the borrowings of the agriculturists; but sometimes it may be much more than this figure. The bargain is struck on each individual case, considering the necessity of the borrower as well as his capacity to repay. The only way to bring down this high rate is by passing legislation against it.

7. It is only a few educated persons, persons actually employed in the co-operative banks and Government officials of the Registration Department that entertain some unpleasant feelings towards these bankers, but the majority of the people have no such feelings at all towards them. They frequent their shops and freely borrow money. Even the educated people pay a higher rate of interest, when there is delay in getting a loan from the co-operative society.

8. There are two opinions with regard to the money-lender. One is that he helps the ryots in time of misfortune and the other is that he is a beast of prey and a parasite. The truth undoubtedly lies near the middle. As society and credit are constituted at present, he is a real rural necessity, but at the same time it must not be forgotten that he is an expensive and dangerous necessity.

The only way of making them more serviceable is to educate them and persuade them not to charge exorbitant rates of interest, considering the unfortunate position of the borrowers. The indigenous bankers may cast suspicious looks at Government, if any measures are undertaken to regulate their transactions. They will feel that Government are interfering with the legitimate right of making contracts with others and as such their attitude towards Government will undoubtedly be hostile.

9. They may realize 20 to 30 per cent net profit.

10. They do refuse often on account of the unacceptable nature of the security offered. It is only small money-lenders that may refuse to lend money on account of the insufficiency of their working capital.

12. Capital does not move to the provincial capitals but it is land-locked.

III.—Investment habit and attraction of capital.

1. The following are the existing institutions that encourage the saving and investing habit among the people:—

- (a) Imperial Bank and its branches.
- (b) District banks.
- (c) Urban and rural societies.
- (d) Fund offices.

In this district the district bank, the urban and rural societies and the fund offices do much useful work.

The ordinary low class people, the washerman, the milk women, the barber, the petty dealer in articles and the low-paid Government servants are members of the fund offices and they try to save and deposit some amount every month. If they are in need of money, they apply for a loan and they clear the same gradually in small monthly instalments. But these facilities are to be found only in taluk headquarters and other important places in the district. Small villages do require some more societies near at home. Otherwise the people go to the money-lender who will be ready in that place. There must be a network of societies ready to help the poverty-stricken ryots.

People are generally enamoured of gold and silver. Even the educated people think that some investment in jewellery is essential to keep up their prestige and social dignity. Thus a huge sum is locked up in gold and silver without being put to any productive purpose. This can only be liberated by educating the Indian women who must give up their attraction for jewels.

2. Postal cash certificates are not much popular in this district. Only a few go in for these. They can be made more attractive by raising the rate of interest and also by emphasizing the advantages of the security of investment.

Savings bank account also is not popular to the extent to which it is desirable. The interest that it fetches is almost negligible. And therefore a small portion of the savings which may be required for emergencies is deposited. The middle class people generally resort to this kind of investment. Other classes can be attracted, if the rate of interest is raised.

3. Government securities are advertised everywhere generally through the agency of the post offices. This seems to be inadequate. In the first place, post offices are not found everywhere and many villages are far away from towns having post offices. In the second place there is only silent advertisement, and posters are found on the walls of buildings. People generally do not understand what these advertisements contain. The facts must be properly explained and the people should really understand the usefulness of their investment. Then they will certainly invest money in Government securities, more freely than is done at present.

Propaganda work is also necessary in this direction. The help of the village schoolmaster may be taken; he may be asked to educate the people of his locality as well as those of his neighbourhood in the matter of purchasing Government securities.

Ordinary middle class agriculturists soon after getting money into their hands pay the assessment which falls due just at that time. If anything remains they will keep it by and if they realize more money than necessary, they will in their turn, lend it to others. Now some of the educated agriculturists who are going back and settling in the villages keep an account in some of the banks and deposit the extra amount for some period or

other. The pleaders generally deposit the money in the banks. Extra money is deposited with the intention that it might accumulate and thus be useful at the time of marriage of the daughter or the son.

4. Cheque habit is not generally known to the people. They have faith only in the metallic money. They prefer coins to even currency notes. When this is the case, there is no wonder that they hesitate to believe that a cheque is equivalent to metallic money. General education and propaganda work in this direction will go a long way in creating and fostering this cheque habit. Moreover there must be many banks and people must be induced to deposit all their money in them withdrawing only when required. The abolition of stamp duty on cheques does not seem to have increased the general popularity of cheques. Pleders, teachers, merchants and manufacturers on a large scale use cheques. Payment of salaries of officials, Government servants and bank employees by cheques will certainly have a good effect in promoting the cheque habit. Vernacular scripts in banking will facilitate the understanding of the subject by the general public.

5. The growth of banking in India has been slow. The causes for it appear to be—

- (1) lack of general education,
- (2) general poverty of the people,
- (3) the presence of the local money-lender who is at their service at any time,
- (4) the inadequate number of banking institutions,
- (5) bad roads and communications which make it difficult for traffic,
- (6) failure of some of the banks, and
- (7) the concentration of power and influence in a person or a few persons of the bank.

Possible means of educating the people of the country to invest their savings in productive undertakings:—

(a) Propaganda work and demonstration by experts that investment in productive undertakings though costly at the beginning is really more advantageous in the long run.

(b) Co-operative borrowing and investment.

(c) Discouraging and even penalising borrowing for non-productive purposes. Strict supervision over the investment of the borrower after the Government has sanctioned the required loan.

**Written evidence of M.Ry. M. VENKATARATNAM Avargal,
Sub-Deputy Registrar, Ganjam.**

I.—Agricultural credit and credit facilities for small industries.

1. (a) The agriculturist gets finance for expenses during cultivation, from the local money-lender and in those cases where he keeps back some of his previous year's produce, he spends it for cultivation expenses.

(b) In many cases this is done by borrowing money. In few cases rich men undertake from their surplus produce. Rangoon-returned men effect improvement from their savings.

(c) For land revenue they sell their produce. In few cases the cultivators become members of the co-operative societies and borrow money.

The rate of interest varies with the amount and the credit of the borrower. For large sums the rate is between 6½ per cent and 12 per cent. For smaller sums the rate is between 12 and 24 per cent. For short-term loans it is not less than 12 per cent. Rate of interest on pro-notes is generally higher than on mortgages.

Government loans are not freely taken. Indifference or inability in repayment will lead to distraint of property and this is dreaded. There is no direct dealing by the Imperial Bank. Co-operative banks touch the fringe. It is only the professional money-lenders that still play the role in agricultural finance. They watch the time to advance money with the sole object of getting the produce.

For cultivation expenses nearly a crore of rupees are required every year. For improvements to land, there is vast scope but much attention is not paid to it at present.

Ganjam is a poor district and famine or distress is decennially appearing. In some zamindari areas there are no adequate irrigation sources. In the Government area there are irrigation schemes which require investigation. Unless the irrigation system is improved and the ryots are made to sink wells for irrigation purposes there is no insurance against famine. Money-lenders will be cautious to advance large sums in the famine zones. The cultivator is therefore hard-stricken at times. If a loan repayable within 20 or 25 years is given the ryot may be able to repay the amounts except in famine years which may be two or three during that period.

In commanded areas there is not much difficulty.

Unless there is a common controlling or advisory agency there cannot be any co-ordination in the various financing agencies. Government can co-ordinate and advance money through co-operative institutions. At present some of the ryots may be taking from Government as well as from the local co-operative society.

2. Groundnut is the only principal commodity in the district and that is sent to Vizagapatam for shipment.

Jute in small quantities is exported from Gopalpore.

All other crops are practically for local consumption.

Paddy is pounded to rice in the mills at Rambha, Tilaru and Chicacole Road R.S., and exported to the Vizagapatam district (Vizagapatam and Vizianagram).

Groundnut crop is the only one that requires finance and this is financed at present by the Imperial Bank through middlemen who have credit with the bank. The actual cultivator does not market it directly to the wholesale dealer. He cannot afford to leave his place for the reason that he will sow another dry crop on the land at that time. The

local merchant pools out the produce and delivers it to a wholesale dealer who gets it decorticated at a mill on the side of the railway and hands it to Volkart Brothers or other firm.

3. The value of lands is generally Rs. 750 per acre wet and Rs. 300 per acre dry. The maximum is Rs. 1,500 for wet and Rs. 500 for dry lands.

Lands producing garden crops and in the vicinity of towns fetch a better price.

(a) Lands sold in Government auction are very few in this district and these are generally for non-payment of kists. They do not fetch the market value.

(b) In court sales the prior encumbrances, the nature of judgment-debtor and the distance of the village to the court determine the price of the land. Generally these are knocked down below the market value and may come up to 75 per cent of the market value.

4. There are no land mortgage banks in the district. There is scope to work a bank. But the question of getting local deposits is still to be tried.

On account of the poverty of the people the few capitalists lend money at usurious rates and so the capital necessary for a land mortgage bank will confront the workers for some time till people of ordinary means do realise that it is profitable to purchase debentures than venture on land.

(a) There are very many joint holdings in the district. Besides, there are holdings of even one cent in measure and there are very tiny bits of land on joint patta. By a process of exchange and payment of cash when there is some difference in valuation, the minor holdings require merging up. Then only some tangible record of rights and title of ownership is feasible. At present there are cases where enjoyment is different from title.

(c) In this district funds from central institution is the only source to get working capital for a mortgage bank if started.

Unless there is Government guarantee even the few persons that may come to purchase the debenture bonds will not go in for them. Since the debentures are backed up by land mortgage there will not be any loss to Government.

5. Taking the present working capital of the co-operative societies in the district as the basis for estimate, the indebtedness in the district will be Rs. 1½ crores. Agricultural indebtedness will be a crore and other forms half a crore.

Nearly a third of the money will be on mortgage of land and the rest either on pro-notes or gold pledges. The co-operative credit forms only a fraction of the debt.

Payment of earlier debts is a broader term. For the sake of urgency in cases of marriage, payment of land revenue and other things loans are first made simply to be pooled into a big item and to go under the name of prior debts. These are merely a combination of petty primary debts for seed, for cattle, for kist, for ceremonies and the like. The religious, social and economic condition of a particular community is responsible for the kind of debt. So in a particular village the different classifications are dependent on the class of people, nature of the land and the condition of the health and other vicissitudes.

In Ganjam district loans for (g) and (h) are rare. Payment of kist is generally done by selling a part of the produce harvested. Seed and manure loans are generally repaid from the next harvest, (a), (b), (c) and (e) generally contribute much to the indebtedness of the district.

Temporary accommodation for seed manure and kist is obtained from co-operative societies if there be any in the village. Loans for long-term purposes are obtained from co-operative institutions as well as from money-lenders. Co-operative institutions could not envelop a tenth of the requirements. Professional money-lenders exist and they cater to the needs of a group of villages. These money-lenders in turn recover the land for the debts due and thus become landholders, in some cases, against their will.

The reason is that the land does not fetch even 6 per cent interest while money-lending gets at least 12 per cent return. The usual period for a money-lender to become a landholder is a score of years.

5. The rate of interest on mortgages is usually compound interest. At the close of every year the interest is added on to the principal. Civil courts are resorted to for enforcing a debt. The transference of land from small holders to the money-lender has become a generality. But for the Rangoon emigration, many of the petty holders would have become serfs.

In the northern part of Ganjam, women do not emigrate with men. Hence men return home off and on. Thus we find some attachment to land. The women look to transplantation and harvest.

A few well-behaved Rangoon emigrants redeem back their pledges and even purchase new lands.

If a way is found out to have a fluid circulation of money and credit at cheap rate of interest without further complications, there may be a check on further sales; but as matters stand now, the daily sales in the district will not wane out. Co-operative movement has come to stay and when expanded to double the present work of course with better management and stricter adherence to principles the indebtedness will in a decade come down to half of what it is.

Only the principle of thrift, observance of economy and application of co-operative credit facility to agricultural industry will bring the district to the onward march of progress. There shall have to be many branches of the bank at convenient centres and each individual shall have to obtain a sort of credit facility to work as a cash credit upon his honesty and genuineness of purpose.

6. There is hand-spinning on a very limited scale but this is very local and only a very limited population does it.

Mat-making is also a subsidiary industry resorted to in areas where water grass is available but the local demand consumes the finished mats. Ropes for tying bulls and for household purposes are also made but all these are very small and are resorted to in small areas. There is no supplemental industry on a general scale. Many men migrate to Rangoon from November and will return in June. Local harvest is done by the few men, the cultivation landholders and by the women. The Rangoon emigrants attend to harvest in Burma and come back in summer to attend to their cultivation. Thus the subsidiary industry has not much scope to become general.

There is a demand for good milk and ghee. The present supply to towns is very poor. Dairy farming may be introduced. Hand-spinning can be advised to be taken up generally. But this district does not produce cotton on a large scale and cotton has to be imported. A great deal of spade work is to be made to make the people take up to spinning.

6-A. Fishery may be a thriving industry in the Chilka and at Sonnapur. The oyster fishing at Sonnapur—said to be a dainty to the European table—may be tried provided there is a fast conveyance to catch Parcel Express to Calcutta, at Berhampur.

Handloom industry is dying out. Metal work is indigenous and the workers are indebted to the full. They are in the sole grip of a few money-lenders. Even supposing they are redeemed, we must have a constant grip over them. Till then there is no prospect of self-organization. There is a brass industry at Lakshminarasupeta, Budithi, in brass pots, at Munshipeta and Sitarampur in brass vessels and at Jahada in brassware.

For each centre there must be a paid agent of the co-operative institution to watch and gather the finished wares before fresh amounts are advanced. As industry stands at present, the establishment charges would not be realized. There must be an organized effort from among the workers.

7. The Imperial Bank gives an overdraft to the central banks and is also banker to the said banks. Beyond this, there is no other active help.

There are no joint stock banks in the district.

The local co-operative unions that are at present the recommending bodies to the grant of loans to the primary societies must be better managed and given scope to gauge the requirements.

To get money as early as possible there has to be a local branch of the central bank readily accessible, and there shall have to be a regular village to village propaganda about the differentiation of loans and the desirability of such a differentiation.

There is no competition between the co-operative banks and the joint stock banks, because, the latter do not exist.

A crore of rupees is required for the Ganjam district for the relief of the poor ryots from pressing debts.

The Government sub-treasuries are not at present readily and constantly resorted to because there are very many avoidable obstacles. The sub-treasury officers do not issue advice lists along with cheques. Cheques are not immediately honoured as soon as they are tendered and some sub-treasuries are not empowered to transact co-operative cash orders.

II.—Indigenous banking.

1. The indigenous banker lends money for one and all of the requirements of a person that approaches him provided the latter has assets to stand surety to the borrowings. The banker does not question the utility but cares for the safety of the loan. For all agricultural purposes he lends from start to finish, and takes back his money at the earliest opportunity without any considerations for the futurity of his client.

2. Most of the finance comes from the local sowcar. In this district in several cases the local money-lender happens to be a big landholder himself. Hence he could catch hold of his client in the right time to recover his money either in cash or in kind. A co-operative society which is a corporate body does not exhibit such a close watch as the person of the lender does. Again the elaborate procedure and the time involved in getting a loan from a co-operative society are absent when a needy man approaches a money-lender. A signature in a book or attendance in a Sub-Registrar's office finishes his job. He need not wait.

Men have not yet realized the principle of co-operation.

3 to 7. At present there is no hundi system adopted by the money-lenders of the district. What cannot be cured must be endured, that is the mentality the borrowers have towards their sowcars.

8 to 12. Ganjam district is proverbially a poor district. There are a few rich people that keep their capital uninvested. The few money-lenders have middle class dealings. Refusal to accommodate a borrower will be not for want of money. The borrower's own credit and his previous dealings with financiers are the defining factors to an individual's getting a loan. If there is a branch of the central reserve bank there will be the Government guarantee and thus there will be an assurance for the borrower and the lender.

III.—Investment habit and attraction of capital.

1. Already dealt with.

2. Postal Cash Certificates are not popular with the masses.

People that resort to savings banks are very few. The limit of the maximum is too inadequate. There are very few post offices in the district. The few rupees which one saves, he or she lends to the neighbour on gold pledge or keeps with a kinsman for a reasonable interest. Practically therefore the Government postal savings bank is no competition.

3. The district is very poor to say that there is surplus with the majority of people. In their effort to lead a better life they are sinking the amount in the present-day luxuries.

As has already been said, the well-to-do agriculturists lend money and paddy to their less favoured brethren and recover the money or paddy in the next harvest. But in this district it is not universal. Grain banks require trial but experiment has first to be made. The present dullness of the paddy market is not favourable for a free exchange and those that hold stocks are still expecting a better market.

4. Very few use cheques. They are those that have a current account with the Imperial Bank.

5. It is a fact that investment habit in India is very slow but people understand investments in land though it fetches not more than 6 per cent at the best. The reason for lack of a fluid investment is the uncertainty of the return on account of the failure of the Arbuthnots and the Nalams. The present banks must create confidence and show that they have a sound backing up.

Letter from F. H. SENNECK, Esq., I.C.S., Commissioner of Income-tax, Madras, to the Secretary, Madras Provincial Banking Enquiry Committee, Madras, dated the 3rd February 1930, No. 582/29.

[Banking Enquiry Committee (Madras Provincial)—Information—Supply of—Your letter, dated 25th January 1930.]

I forward herewith four statements. Statements I and II show the amount of capital invested in indigenous banking, the interest earned therefrom and the expenses incurred in earning the interest, statement I in respect of urban assesses, and statement II in respect of rural assesses. Statement III shows only the net interest earned in respect of certain urban assesses; in these cases no information is available in the records regarding capital and expenses. Statement IV furnishes similar figures in respect of rural assesses.

Statistics regarding indigenous banking in *Urban* areas of the several districts of the Madras Presidency.

Name of District or Income-tax Circle	Number of bankers.	Capital estimated to be employed.	Estimated interest net.	Expenses incurred in earning that interest.		Losses suffered owing to charging high rates of interest.
				Interest paid.	Other expenses.	
1. Ganjam	19	Rs. 43,66,386	Rs. 4,01,450	Rs. 24,165	Rs. 7,623	Rs. ..
2. Visagapatam	105	45,04,790	4,50,479	Details not available.	4,505	..
3. East Godavari— Cocoanada .. ..	..	..	Rural.	..	..	..
Rajahmundry	83	73,90,000	4,67,550	2,21,603	48,237	..
4. West Godavari	33	36,66,228	2,52,194	..	1,551	..
5. Kistna— Bezwađa	82	53,89,119	3,46,455	1,72,474	8,831	10,725 in three cas's.
Masulipatam	130	57,83,651	4,67,823	46,720	2,864	..
6. Guntur— I Circle	135	94,00,000	9,01,800	Details not available.	39,512	..
Bapatla	37	8,81,485	72,439	1,052	2,984	..
7. Nellore	15	10,68,050	93,840	31,280	2,615	..
46	..	15,56,309	1,40,230	Details not available.	..	..
8. Bellary	49	25,18,214	1,85,321	90,177	33,329	18,068
9. Anantapur	99	24,54,060	2,65,236	..	..	..
10. Cuddapah	117	27,63,786	2,81,138	11,132	1,226	..
11. Chittoor	10	12,45,000	1,19,000	7,922	9,000	..
12. North Arcot	8	1,74,217	16,541	..	192	..
13. Madras— I Circle	13	2,30,60,000	4,18,000	15,51,000	3,22,000	..
IV Circle	76	1,14,72,000	5,92,400	5,80,400	2,16,400	..
14. Chingleput	79	50,00,000	1,98,741	1,71,477	1,41,568	..
15. South Arcot	117	35,96,926	4,00,609	..	1,06,190*	..
16. Tanjore— Kumbakonam	93	57,40,000	4,66,100	40,500	18,300	..
Negapatam	32	28,92,129	1,98,774	20,024	..	..
17. Trichinopoly— I Circle	50	87,65,952	3,02,895	1,52,485	1,59,955	..
II Circle	20	20,67,734	1,39,397	5,406	55,700	..
18. Madura— North Circle	17	18,04,359	97,669	68,649	47,673	..
South Circle	15	24,08,867	1,86,320	2,299	23,103	..
Dindigul	13	16,00,869	1,47,308	56,970	34,405	..
19. Ramnad— Kamikadi I Circle	14	1,77,84,000	52,000	4,12,000	93,000	..
Sivaganga	12	1,42,84,961	7,46,279	51,920	8,039	..
Virudhunagar	113	54,72,257	2,19,807	68,963	72,130	..
20. Tinnevely	22	73,80,000	1,40,000	3,50,000	1,10,000	..
21. Salem	103	34,76,279	3,62,401	..	21,264	..
22. Coimbatore	200	59,19,000	5,71,000	4,93,400	53,400	..
Erode	21	1,69,11,817	18,69,821	4,27,801	1,98,577	..
23. Nilgiris	34	16,94,467	1,72,589	82,861	51,286	..
24. Malabar—Calicut	12	Not available.	70,291	1,26,021	7,949	..
25. South Kanara	4	55,21,102	1,36,735	2,90,064	42,673	..
26. Kurnool	72	32,24,160	3,22,898	Details not available.	9,000	..

* Includes interest paid, bad debts, etc.

II

Statistics regarding indigenous banking in *Rural* areas of the several districts of the Madras Presidency.

Name of District or Income-tax Circle	Number of bankers.	Capital estimated to be employed.	Estimated interest net.	Expenses incurred in earning that interest.		Losses suffered owing to charging high rates of interest.
				Interest paid.	Other expenses.	
		RS.	RS.	RS.	RS.	RS.
1. Ganjam	123	64,63,500	7,93,748	31,469	2,650	..
2. Visagapatam	517	1,25,92,240	12,59,224	Details not available.	12,592	..
3. East Godavari— Cocanada	438	2,39,43,598	21,03,003	2,82,967*	..	..
Rajahmundry	238	1,27,44,700	12,55,675	37,465	15,596	..
4. West Godavari— Ellore	168	88,30,935	8,89,272	Details of expenses not available.	..	..
5. Kistna— Bezawada	94	51,00,000	5,00,830	Do.	..	..
Masulipatam	137	39,28,638	3,13,831	61,236	1,904	..
	269	1,45,28,263	12,76,992	1,74,328	5,213	7,335 in four cases.
6. Guntur— I Circle	98	49,00,000	4,69,306	Details not available.	..	..
II Circle	314	1,37,05,405	14,47,320	....	5,667	..
Bapatla	311	1,26,17,015	11,64,625	47,177	23,710	..
7. Nellore	6	1,59,200	15,290	4,290	554	..
8. Kurnool	303	1,20,61,040	1,20,610	Details not available.	9,600	..
9. Bellary	62	32,25,670	1,87,744	80,399	48,399	17,547
	155	51,23,892	6,44,177	Details of expenses not available.	..	..
10. Anantapur	200	52,46,920	5,59,354	Do.	..	..
	40	10,76,390	99,580	Do.	..	..
11. Cuddapah	337	1,01,68,377	11,22,972	18,677	1,006	..
12. Chittoor	41	31,41,000	3,42,300	Information not available.	1,000	..
13. North Arcot	55	13,12,361	1,33,925	....	..	..
14. Chingleput	51	15,00,000	1,44,732	Information not available.	..	..
15. South Arcot	347	97,20,448	10,77,903	....	2,83,385†	..
16. Tanjore— Tanjore	12	10,73,000	1,09,000	47,000	5,000	..
Kumbakonam	106	44,20,800	3,83,900	17,530	10,960	..
Negapatam	134	59,95,237	4,95,611	19,590	21,667	..
17. Trichinopoly— I Circle	86	36,66,641	3,94,248	14,269	12,356	..
II Circle	218	98,35,876	8,69,930	80,236	44,740	..
18. Madura— North Circle	4	1,99,521	18,270	11,081	6,377	..
South Circle	7	30,97,299	79,621	1,91,032	2,26,563	..
Dindigul	17	39,58,808	3,02,858	1,13,845	28,007	..

* Includes bad debts and establishment charges also.

† Includes interest paid, bad debts, etc.

Statistics regarding indigenous banking in *Rural* areas of the several districts of the Madras Presidency—*cont.*

Name of District or Income-tax Circle.	Number of bankers.	Capital estimated to be employed.	Estimated interest net.	Expenses incurred in earning that interest.		Losses suffered owing to charging high rates of interest.
				Interest paid.	Other expenses.	
		RS.	RS.	RS.	RS.	RS.
19. Ramnad—						
Karaiikudi I Circle ..	19	1,79,24,000	4,21,000	427,000	1,45,000	..
" II Circle ..	14	1,40,45,000	5,55,228	10,40,157	2,91,216	..
" III Circle ..	74	1,55,18,000	7,70,091	3,32,100	1,79,133	..
Sivaganga ..	242	4,26,11,221	1,01,321	3,77,380	1,00,261	..
Virudhunagar ..	213	73,48,263	5,43,568	1,181	16,037	..
20. Tinnevely ..	10	21,00,000	40,000	1,20,000	30,000	..
" Tuticorin ..	150	1,34,61,000	9,62,351	1,92,903	59,014	..
21. Salem ..	433	1,59,20,329	15,87,573	....	4,83,200	..
22. Coimbatore ..	72	8,10,000	70,000	....	..	..
" Erode ..	72	41,46,000	4,52,000	22,800	18,500	..
23. Nilgiris ..	267	1,50,69,926	13,07,516	3,34,942	1,36,321	..
24. Malabar—	10	3,46,676	37,477	7,697	8,236	..
Palghat ..	6	32,57,180	1,31,920	85,622	10,354	..
25. South Kanara ..	5	33,37,750	1,06,896	1,82,504	22,636	..

III

Cases in which only net figures of interest without details are available.

Urban.

Name of district and circle.	Number of bankers.	Amount of interest earned.
		RS.
1. Cuddapah ..	9	15,993
2. North Arcot ..	129	3,95,036
3. Masulipatam ..	61	2,32,551
4. Calicut ..	19	66,690

IV

Cases in which only net figures of interest without details are available.

Rural.

Name of district and circle.	Number of bankers.	Amount of interest earned.
		RS.
1. Cuddapah ..	11	20,469
2. Sivaganga ..	10	48,500
3. North Arcot ..	198	6,92,809
4. Masulipatam ..	57	2,22,516
5. Calicut ..	43	95,212
6. Guntur ..	154	6,23,420

Written evidence of M.R.By. E. S. GANAPATHI AYYAR
Avargal, B.A., B.L., Pleader and Ex-President, Erode
Urban Bank, Erode.

I. Preliminary.—Many of the points raised in the questionnaire require special and wide investigation and close study of the conditions and habits of the people with reference to statistics, elaborately collected. Again, for particular areas, and peoples and businesses, special features are present, which require special experience and knowledge to enable one to make useful suggestions. As a co-operative worker I can only speak with reference to that movement and offer my opinion in regard to a place co-operative banking should occupy in the evolution of a universal, well-regulated and co-ordinated banking system in India, as is contemplated in the enquiry. My answers are given in a general and narrative form.

II. Present conditions.—Until the other day when the co-operative movement was started, banking facilities for financing agriculture, commerce and industry or for development of thrift and credit, were not at all to be met with. Reckless borrowing at usurious rates without hope or means of repayment has become common. And then too, on the other side there are all sorts of needs and occasions, ceremonials and festivals which lead to extravagant and wasteful habits and not to any proper productive application of borrowed funds. Hence, the productive capacity of the people is poor. Over a very large part of the country, owing to unsteady conditions of employment created by failure of seasons and seasonal nature of agricultural work, there is no proper facility for continuous employment of people in productive occupation. Thus there is lack of basis for thrift and credit in the country. The very small minority who can be said to have these two elements, among whom we may class the professional salaried, and capitalist, have not developed banking habits. By their very nature and profession, these 'moneyed' classes are conservative. In England where the people are working either in an industrial or in a commercial concern, their work makes them progressive and adventurous. In India the appeal of lands, buildings and jewels for the investment of their money, is greater than in such a country as England, where joint-stock capital investment has been nourished first in commerce and then in allied industry and banking. Lands, buildings and jewels are considered safe here and capital is shy so far as other kinds of investments are concerned. On the other hand, except for the organized work of Government and public bodies, no appeal has been made by banking organizations and institutions to draw out these resources for their utilization. Failures of banks have received spectacular and notorious advertisement. Their success which is very little has not been noticed, much less have they brought to the notice of the public, their safety and their utility to the country. The banking movement has not spread itself out into the mufasal to bring into its fold all the credit resources of the country. From Presidency and district centre, it has not reached the country, nor made appreciable efforts to gain resources, or to solve the problem of credit facilities among the people at large.

Again, the banks that have been working have had no strength that comes of combination and co-ordination. Many failures in the past could have been saved if a central organization had existed to co-ordinate and control their activities and maintain public confidence in their soundness. Their credit with the public would not have suffered or so easily shaken as to result in their wreck, had they been affiliated to a strong central banking organization, with the credit resources of the whole country at call. To sum up, there is no proper basis of production, thrift and credit among the vast masses. Banking habits have not been cultivated even among the moneyed classes. The banks themselves have not reached the people at large and they have no strong sound organization to co-ordinate, control and aid their activities among the people.

There are at the present day three kinds of institutions competing in banking working in India on lines which are distinctly unsound and opposed to each other, viz., indigenous, joint-stock and co-operative. The principles underlying them are profiteering in the first two cases and protection in the other. There is the indigenous banker, carrying on his usurious trade as a profession and not with reference to any benefit to be conferred by affording banking facilities for the people as a whole. The profits of usury which ought to go towards the building up of a basis for thrift among the people, the *sine qua non* for any credit in a community, goes to strengthen the indigenous banker and to impoverish and demoralize the country. Not merely the element of thrift but the element of credit is thus lost. Among the joint-stock or quasi joint-stock banks, the Imperial Bank of India stands prominent with ample resources of Government, public bodies and private individuals and with a definite policy of reaching out and meeting the needs of the commercial community in mufassal and urban areas. They form a banker's bank for the indigenous bankers and also a financing bank for merchants in most of the places where their branches have been opened. To a slight extent they have also helped co-operative urban banks, but are now turning out to be competitors with them and with the other joint-stock banks in the places where they come to exist. By helping the indigenous bankers they have certainly created a class of guarantors for accommodation credit to traders but they have failed to regulate the rate of interest in the 'money market.' The bank rate has no relationship to the shroff's bazaar rate. Their branch opening policy has succeeded because the shroffs bring grit to their work. In promoting thrift, credit and banking habits, and in reducing rate of interest, they have not succeeded because of their resort to shroffs for business. To the big merchants, having independent relation with the Imperial Bank, they have proved beneficial.

Other joint-stock banks are facing this competition at great odds. That they succeeded so far in spite of good report and bad, and every other discouraging circumstance, is due to their organizing ability and to want of other proper credit facilities in the country. They have developed what are known as produce loans and jewel loans with produce and gold jewels as securities. They are not usurious. They have certainly reduced the rate of interest. By their banking on correct principles, they have made an appeal to the investor. They have helped commerce. But they have touched only a fringe of the credit needs of the community and have not developed banking and investing habits in the lower reaches. They also suffer for want of co-ordination, unhealthy competition and lack of a central reserve bank to fall back in case of need, though the Imperial Bank has latterly assumed this paternal role in undertaking clearance work and acting as banker's bank for their reserve funds and to some extent in financing their credit papers (in the second instance). They badly want an organization devoted to the latter work to enable their proper expansion.

The co-operative banking system, rural and urban, has made a wider and stronger appeal to the idealist among the professional classes (excluding indigenous bankers and commercial classes) and to the rural population, so heavily indebted, that its principles and practice seem to me to be the only way out of the vicious circle of poverty, lack of thrift and credit, poor productive capacity, extravagance, heavy indebtedness, and recklessness, that characterize the mass of our countrymen. Started mainly to finance agriculturists, the movement has been taken up in urban areas by professional class leaders, who seek to bring within its fold, all employees, artisan and unskilled labour, petty traders, capitalists, salaried and wage-earning classes, caste and guild organizations. It has mainly done 'credit' work for all classes and conditions of men, not touched by other banking organizations. It has created credit where proper basis was wanting in the rural community. If I may say so, it has a monopoly of financing on personal security. It has reached the widest area and the greatest possible number of people. At least one of its fundamental principles is that it should finance only productive purposes, and enable the building up of a strong basis of thrift and progressive utilization of capital for the national prosperity. Again it has organized a well co-ordinated system that is sound as far as it goes. From the provincial apex bank down to the urban bank and rural society, there is inter-relationship, control, audit and supervision. Sound rules based on right banking principles have been established. Government have checked every exuberance

and imprudence. Organized propaganda work, organized and elaborate discussion of problems and solutions that arise in the movement, organized education of workers in co-operative principles and organized study of needs and conditions of the people among whom the leaders of co-operation work, are the most noteworthy features of this movement. In the rural community it has rendered distinct service by ousting the money-lender to a certain extent and diverted usurious profits to itself for productive finance, thus creating a basis for thrift and a resource to the community. It has more than any other banking institution reduced the rate of interest for all. Every movement including banking has for its purpose social welfare. The co-operative credit movement has avowedly aimed distinctly at social welfare from the first. In fact it is an institution combining business with social welfare and not merely with profits. It has created in the masses sound credit habits and educated them in social purposes. It has more than what adult education by itself can achieve. In its credit work it has extended its help on the land and amidst labour, the two things, which other banks won't touch. Within its sphere the urban banking movement bids fair to become a very great power for good. With men engaged in commerce and liberal professions, leisure, knowledge of business and enthusiasm are to be found. There also is found money free for investment. The urban banks by encouraging long-term deposits have performed a great service in educating the people in sound investing and banking habits. They are reaching the middle-class people and artisan classes in a systematic manner and are tending to promote commerce and handicrafts.

The co-operative credit movement has its own defects which can be remedied by proper measures. The defects are:—(1) excessive control by Government that prevent freedom of action in doing expansion work however sound the same may be; (2) inadequacy and incompetency of workers both in field work and regular work; (3) inadequacy of material resources for works and industry; (4) want of elasticity in methods of credit work; (5) maladjustment in the relation between term of deposits and loans; (6) absence of rigidity in collection work; and (7) disloyalty to the ideal among the members.

III. In describing proposals for reorganization of banking institutions which the enquiry has before it, a brief sketch of the purposes which banks should be made to serve is called for. There is first and foremost the rural community on the land and labour, with subsidiary industries and crafts attached. Then comes industries in the urban or industrial centre, and along with these centred in the same area, is commerce. Thus agriculture, industry and commerce have each its particular need for finance. (1) Generally speaking, whatever type of banking joint-stock or co-operative is working, the universal need of the country is the creation of more and more banks in every area, rural and urban. Valuable knowledge has been undoubtedly acquired from experience by existing banks of all types, regarding possibilities awaiting the spread of banks all over the country. In all commercial centres, there are banks and they are in a position to help forward the movement of establishing branches and feeders. (2) The association of indigenous money-lending agency with the existing banks should be the main work in not only redeeming the people from usury, but in weaning usurers from their predatory, parasitical activities and directing them into gainful activity in spreading, financing and working branches of banks on sound principles, for which they are all well-fitted by their local knowledge, experience and ability. (C. F. Gubbay on their credit and information, their hereditary instinct for banking, etc.) That they have capital is a great asset in their favour. They will have a stake in the concern under their charge. That they should be educated into beneficial, productive work as contrasted with their risky, speculative, harmful activity is a matter of first rate importance in manning the movement for spread of banking in India. In this matter the co-operative leaders have given a right lead to the country by establishing training classes for panchayatdars, who direct the village primary 'society.' As joint-stock banks and other banks are utilizing the indigenous banking agency as guarantors for accommodation credit to the trade, the co-operative banks might also train and employ them as wholotime paid agents and in this way bring about a wholesome reformation of this class of people as well as utilize their great ability, knowledge and experience on sound lines of

productive finance. Their absorption in the movement will bring more confidence among the public towards banking and along with it more funds into banks. (3) Next to creation of more banks and branches and the association of indigenous bankers in working them is the development of thrift and investment habit. The success that attends public debts, like war-loans, and bonds, conversion bonds, debentures by public bodies and corporations, floatation of joint-stock enterprises, savings, current and fixed deposits with Government and banking institutions, growth of insurance habit, growth of stock-exchange transactions, all point to the fact that the movement towards thrift and investment is setting in and has only to be developed and directed. (The part that investment corporations and trusts have played in America and in England, in drawing out available resources of the community for development, is well known. Under stringent control, they might be established in this country to finance local works in urban development schemes.) Co-operative urban banks which have played an important part so far in this mobilization of credit resources may, in the future scheme of banking organization, be expected to play a very important part of developing investment habits. Jewel and produce loans have their own value in the direction. It is to be noted that the policy of jewel loans pursued by small up-country banks, midhis and indigenous banks, while creating a first-class security has practically resulted in this, that jewels are a form of saving, useful for small men in times of need as a valuable security. In ordinary times, of course, so much gold (bullion) is locked up on a person and thus it is a hoard but when once education spreads and taste for ornamentation changes and the idea spreads that savings invested mean interest earned, the corner is turned and the road is clear for habit of investment to spread. It is a great thing that gold jewels have become valuable security. The next step is easy to take, viz., to invest the value of gold jewels in a safe concern. The poorest people come in contact with the bank and learn eventually what is wanted—a valuable security—to give them credit. They learn the excellent credit habit of punctual repayment of interest and principal by instalment or in total, and also the habit of saving to meet this charge. In the same way loans on produce pledge with banks have familiarized the small farmer with the credit and methods of banks and have created another security for him. They have developed his staying as well as selling power and educated him in proper credit habits of saving and instalment repayment without default.

IV. Concrete proposals—

1. From the above paragraphs it will be evident that I have considered what the present work of each of the two main types of existing banks, joint-stock and co-operative, have rendered possible and indicated generally the lines of development for both. Now follow my concrete proposals regarding the organization of banking in India, with a view to secure harmonious development of the country, regulating and controlling activities of each type and avoiding unhealthy competition and assigning the most suitable sphere of work for each type with a super-imposed controlling institution above them all. It is sufficient to say that the indigenous banker must be absorbed within other banking organizations of the type suited to each locality or business, having if found necessary honourable connexion with it, in management or direction. It is possible that private money-lending might still go on, but if nominal interest alone will be awarded on such unprincipled or non-bank transaction, by the law courts, private money-lending will lose its charm and funds will be diverted to safe institutions. Elimination of these transactions will be rapid and effective. The indigenous banker as guarantor of accommodation credit to joint-stock banks has proved an evil. He must do this work under regulation and on sound principles having regard to the credit-worthiness of the principal debtors claiming only brokerages for guaranteeing advances by banks to the trade.

2. Agriculture and allied subsidiary industries must be financed by co-operative rural primary societies or through them. Every legitimate need of the community—whether for productive agricultural work, for redemption, improvement and cultivation of land, for improvement of implements for manuring, for drainage and for protective irrigation work, or for even for non-productive purpose like expenses incurred on ceremonial

and festival occasions,—must be met with only by the village primary society, regard being had only to the credit ability of the party. Co-operation means the ultimate absorption of every member of the society within its fold, and the thriftless and the extravagant that suffer should be brought under its corrective influence. There ought to be granaries and godowns built in villages by investment of reserves, and the former may thus be met at the nearest point from where his crop is moved and his needs satisfied in regard to these short-term purposes. The new loan and sale societies cannot reach the farmer except by work of this sort through the village primary. The village primary society will improve its turnover and usefulness and will create the valuable security for its advances, and proper credit habit will also be developed. The farmer's surplus will be mobilized to form a deposit in kind, a security of value. The loan and sale societies will reach the farmer usefully and most expeditiously through the village primary. Regarding village crafts, the artisans should be trained and enabled to improve their tools and plant. Improved agricultural implements, building materials, etc., turned out by them should be supplied for use to the members of the rural primary societies. Market-gardening, fruit-culture, dairy and poultry farming, seed growing, cattle breeding, and manure making are some of the special items of work which a combination of village primaries can provide for, through the loan and sale society. A good deal can be done by these societies providing for employment of labour in the off-season, by investing resources and surpluses in improvement of transport and irrigation facilities, roads and canals, and plantations of fruit trees and firewood on suitable waste lands. It is now almost a settled fact that for long-term purposes, viz., the redemption of land and indebtedness thereon, a separate financing agency should be brought into existence and that the same should be done so early as possible. The primary society with its short-term deposits and resources should be prohibited from having anything to do with long-term transactions except as an agent of the long-term financing institution. It is necessary that the operation of long-term financing should be as widespread as possible and not confined to localities. Land revenue is the mainstay of both the Government and the people and it is therefore nothing strange that a bold scheme of widespread redemption of land mortgage, and land improvement is asked for. It is equally plain that in the absence of better security or better banking facilities available to the landowners, land has in the past been resorted to as the only acceptable security available, so as to have led to the present heavy indebtedness on the land. The mortgager can hardly afford to pay the high rate of interest he is subject to from the net surplus of his production. To release, therefore, the farmer from his security has become common. To release, therefore, the farmer from his present burden and to enable him to produce more, should be the most important object of the present enquiry. Rules should be framed to prevent the prevalent habit of renewing old debts. While it is possible for Government to borrow large sums for public purposes, repayable after a long time at a lower rate of interest than for short term, it is not difficult to secure the same results for land redemption, provided the Government comes forward offering a helping hand at least by way of guaranteeing a reasonable rate of interest to the investors. Plenty of resources are available. Trust funds, provident funds, insurance funds and such other funds as are not required for immediate use may be drawn into under promising conditions.

The store movement has not taken root in the country. The rural community has been completely ignored in this aspect. It is lamentably noteworthy that the co-operative producers in one area sell without organization to middlemen buyers their produce, and that in another area the co-operative consumers buy it for consumption from middlemen distributors. Cannot the consumers do for themselves what the private middlemen do by studying their needs and requirements? The example of the English and Scottish wholesale societies may be followed. It may be said that what one set of producers turn out is not exactly what another set of consumers require. This could not be remedied until production and consumption are both organized and financed on a co-operative basis throughout. Further elaboration on these points belongs strictly to co-operative reorganization. Reference, however, had to be made to the question, for the reason, that every need of the rural community that gives the middlemen and usurers a chance for deflecting them, keeps them off from the banking movement. Banking can thrive only when its clientele

are trained to look forward to it for all their credit and resources. If the bank could meet at least half way and satisfy the reasonable needs of its customer, then it will be time for us to expect the disappearance of disloyalty on the customer's part.

To sum up, therefore, the credit needs of the rural community must be met with by widespread establishment of rural societies, which must aim at improving their productive capacity, their credit ability, their selling and buying power, as agents of loan and sale societies and stores, their staying power, and generally a rural reconstruction. Needless to say, that they must employ the most talented and loyal among them for the work, absorbing as far as possible all middlemen who are now called by the co-operators as "Parasites" and "Usurers." Co-operation as a means of strengthening the man-power of these societies must be freely and largely resorted to.

3. Equally important is the fixing up the position of the urban bank in the urban area, in the advancement of the banking movement. The leisured and wealthy profession of the town have so far led the movement. The growth of co-operation in urban area is rapid and encouraging. My experience warrants the belief, that the urban co-operative movement has gained in strength and popularity and will be soon able to do for India what the people's banks in Germany and Italy have done for commerce, industry and agriculture. Several of the urban banks are supplanting or at least self-supporting. But for want of proper guidance they should to-day have been found to embrace commerce and industry in India. They have, no doubt, to face the competition of the Imperial Bank and other joint stock banks, that draw away the funds which might otherwise go to them, from trusts, endowments, local bodies, and from commerce. The relationship between these institutions should be on a co-operative rather than competitive basis.

Urban co-operative banks ought to deal in financing trade and commerce in urban areas through their own trade agencies, viz., the loan and sale societies, purchase and store societies or through middlemen traders and must be free from competition by indigenous joint stock and Imperial banks. One main reason as to why these urban banks should be developed on this privileged basis is, that while they have been perceptibly able to control the market rate of interest, the other institutions have not been and will not be able to do so. The joint stock and the Imperial Bank in their anxiety for better security, make use of a middleman guarantor, who cannot be controlled and whose motives are not of the philanthropic type. In the case of urban banks this difficulty is largely minimised as personal security and co-operative credit are largely relied upon by them and are as such able to appeal to the imagination of their customers. Besides, the urban banks have the advantage of close supervision and knowledge of men and their means. It is necessary that the Imperial and the joint stock banks should be trained to look forward to the security of the urban banks and be made willing to rediscount such credit papers as have been accepted by them for advances made in the first instance. In my opinion this appears to be the most effective and important methods of keeping off competition among them. There is great scope for rediscount work. The bank rate has not been able to check speculation. Experience elsewhere tends to demonstrate the same. That the bank rate has no connection with the rate in the trade market in India, under the present system, calls for condemnation and the substitution of the co-operative agency that deals at rates fixed corresponding at least to the rates offered for deposits. With the resources of the co-operative urban bank augmented by methods referred to above rates are bound to come down rapidly. To the extent to which cost of production and distribution of consumable goods is reduced the community stands to gain. This benefit to the community at large is more important than freedom for competition among banking institutions for ends other than national growth and national consolidation and prosperity. Financing of industry in urban area is a special kind of work involving scientific and technical knowledge. Like redemption of lands and land mortgages these are of a long-term nature and require special provision for long-term resources in the urban bank. The small industries, such as factories and workshop, all civic and social welfare schemes like drainage, power production, and distribution, waterworks, urban transport, house building,

market exchanges, provision of places of resort for refreshment and amusement, recreation places like reading rooms, libraries, cinemas, theatres, and sports club and in fact every need of urban and civic life may be met with finance provided by urban banks. In stating all these I am not forgetful of the need, for providing the necessary man-power in the urban banks that have to shoulder these onerous responsibilities. Commercial people must, no doubt, be enlisted in large numbers in their management. Securing the services of efficient officials trained from among the best of students with co-operative ideals as opposed to competitive, must be secured. Professional bankers interested in advancing the co-operative ideal as against the competitive, should be associated in the management. Leisure should not be made the sole criterion or qualification for shouldering the responsible business of an urban bank. Knowledge, experience, grit, grasp of ideas and details, are necessary in a great measure and should be aimed at. Policy and propaganda, foresight, wider vision, idealism, can be found only in men of culture and they are also necessary. Men of wealth, influence and professional skill are also required, in working these banks.

Conclusion.—I have attempted to set out in a general manner the ideas that should influence any scheme of re-organization of the banking movement in the country, a subject which is so wide and so important. I cannot help mentioning that the usefulness of the results of the enquiry depends mainly upon the outlook and line of vision from which the same is purveyed. The enquiry should aim at purely the economic uplift of the country and the nation as a whole, dissociated from politics and political influences. Means and methods of diverting the inland resources for national use and national prosperity must be the motive force, rather than the strengthening of the fetters on the country by any inflow of extraneous capital.

**Written evidence of the Nattukottai Nagarathars'
Association, Madras.**

Indigenous banking.—The term 'Indigenous Banking' should be understood to mean that system of banking which has been in existence in India, from time out of mind, and which has not been much affected by its impact with the west. 'Indigenous banking' has very often been confounded with 'Joint-stock banks' incorporated in India mainly with Indian shareholding. These are not indigenous but purely exotic and have grown during the last few years. Joint-stock banks are modelled on European banking practices. The term 'Indigenous Banking' should be confined to the operations of the Mahajans, Marwari bankers, Shroffs, the Multanis and the Nattukottai Chettiyars. These bankers have been performing a very useful and indeed indispensable function in the growth and development of agricultural operations.

The indigenous banker in India fills a very important place in the economic life of India and a proper understanding of the same is essential before formulating schemes for improving banking facilities. One of the main reasons why the indigenous banker fills so important a place is to be found in the variety of his work and the elasticity of his methods. He lends money for short as well as long periods. He finances the industrialist, the agriculturist and the retail and wholesale trader. He also acts as agent for the transmission of moneys. It may be remarked that the work done by several kinds of banks,—commercial, industrial, investment and co-operative—in advanced industrial countries is discharged to a very great extent by the indigenous banker of one kind or another in India.

Before an impartial estimate is reached of the character of indigenous banking in India, a study of the social and economic organizations of the country is necessary. Modern joint-stock banking is helpless in the matter of making direct provision for banking facilities to a population vast in its magnitude and agricultural in nature, ninety per cent of whom live in villages most of which could be reached only by tracks which are not fit enough for wheeled traffic for many months during the year. Those who form unfavourable estimates of indigenous banking do not pay adequate attention to the various factors that really go to the root of the matter.

The villagers who are among the clients of the bankers as a class have no tradition of saving wealth. The uncertainty of monsoons makes life in the village a gamble. Besides, the villager has never been trained to a sense of limiting his expenditure in proportion to his income and minimizing the encroachment on his capital and to the need for regularity and promptness in the matter of meeting his financial obligations. The rural population have no ready marketable property to offer as security on which alone joint-stock banks functioning in places other than cities lend. Since, however, there is an insistent need for finance for both short and long periods, the indigenous banker meets the need and shoulders the risks on terms which may be considered onerous with reference to the rates that are charged in urban centres to businessmen, the breath of whose life consists in a prompt meeting of their financial obligations. It would be hardly fair to blame the banker who provides finance under conditions which are not of his creation without the critics taking at the same time adequate steps towards the amelioration of the social and economic conditions of the villagers which are such as to make the resort to the indigenous banker a compelling necessity. There is an inadequate appreciation by either the cultivator or lender as to the source from which the borrower has to meet his demands.

The problem that requires to be explored is whether the evolution of banking in India does not require to be founded on an adequate recognition of the really useful part played by the indigenous banker. The class to which he belongs may be said yet to possess the bulk of the floating capital of the country. His banking methods and practices have behind them the sanction of the experience of centuries. His sobriety, probity and shrewdness are assets which any scheme for the organization of banking facilities in India will do well to take into account. The question, therefore, arises as to what part they should play in the future of India banking.

The only existing sources to come to the relief of the agriculturists are—

- *(i) the Government operating under the Agricultural Loans Act and Land Improvement Loans Act;
- (ii) co-operative credit societies;
- (iii) indigenous bankers.

The assistance derived by the ryots from the Government under these two Acts is very little and the want of facilities and the elaborate machinery that has to be set in motion make the agricultural population not to resort to Government aid. Even after the operation of the co-operative societies for over a quarter of a century, and with all the facilities and propaganda in their favour, they have been unable to extend their operations beyond a tenth of the needs of the rural population. It is the indigenous banker that has been able to function as a banker to the rural population.

* We propose to confine our attention to the Nattukottai Chettiyar class of bankers and money-lenders who form the chief indigenous banking community in South India. The entire class of Nattukottai Chettiyars are from the Ramnad district and Pudukkotta State. Their business operations in Tamil districts in South India extended to every taluk and village. They have been lending to agriculturists for payment of their kists (a very important item of lending), for domestic expenses such as marriage, etc., for buying lands and also to merchants and traders. The major portion of their lending is without security of either movables or immovables. The loans on the security of movable and immovable properties (such as jewels, houses and goods, etc.) form a very small proportion of their total outturn. Hence this class of business is attendant with some risk with chances of heavy bad debts. They have been conducting their businesses for several centuries past on certain well-recognized principles and methods. The fact that they have been able to do extensive banking business in various places in Madras Presidency and in the City of Madras, the whole of Burma, Ceylon, the whole of the Malay Peninsula, Indo-China and in parts of Sumatra, etc., affords ample proof that their methods have stood the test of time and been directed on right principle. They have had a high reputation for honesty and kindness to borrowers and what is more put up with equanimity big losses resulting by way of bad debts, a very essential test of business capacity.

The system by which they carry on their business is to employ agents at the several places of business, the proprietors or partners of the firm residing mostly in their permanent place of business in the Ramnad district or the Pudukkotta State. In some instances, the proprietors themselves conduct the businesses. The proprietors or partners keep in touch with the business activities in the various places by almost daily correspondence between themselves and their agents.

The agents and the other clerks and accountants are recruited for definite periods generally for three years on fixed salaries, all expenses such as boarding, lodging and other personal expenses incurred by the staff being borne by the firm. The system of paying bonuses dependent on the profits of both to the agent and to the other members of the staff was always being adopted and oftentimes the payment of bonus is also made dependent upon the agents and clerks returning to the business after some interval of holidays. The staff is educated in banking and money-lending by a very long apprenticeship and training from boyhood. Promotion is from grade to grade in the service according to capacity.

The agents and the staff live in the place of business among the borrowers and become closely acquainted and are in constant touch with the private life of the borrowers. They are therefore able to lend to persons without security taking chances in the gambling of human nature and the accidents of life. They grant easy conditions, lend at any time of the day without reference to hours of business. Everything is done quickly so that there is no delay between the application and the grant of the loan. They also collect the moneys from their customers according to their conveniences but do not insist on the prompt and punctual payment on the due dates as the banks. Hence there is a considerable place for the play of the human and personal element in the Nattukottai Chettiyars' transactions with their clients.

In this connexion, the observations made by Mr. M. M. Gubbay, C.S.I., O.B.E., (now the General Manager of the P. & O. Banking Corporation, London, and late Controller of Currency and Financial Secretary to the Govern-

ment of India), regarding the Nattukottai Chettiyars in a paper read by him at the Royal Society of Arts, London, are noteworthy. He says as follows:—

“A special type (of indigenous bankers) is that of the Chetti community in Madras. It is known that in many cases, accounts can be maintained with these Indian bankers on which operations by cheques are permissible and that funds lie with these bankers on time deposits at rates much above those which are available from the banks. I see no reason to doubt the commonly accepted view that both because these private bankers can afford to pay attractive rates of interest as well as because their requirements as to security are less rigid, their participation in the financial life of the community, as a whole, must be on a very extensive scale. Further, they are in intimate daily touch with those with whom they transact business and can follow the doings of their clients with a closeness which is denied to the banks. There must be accumulated with these private bankers a store of knowledge and experience of the standing, moral as well as financial, and capacity of individual Indian traders and Indian trading firms, their business connexions and relations on which, if fully organized and systematized might possibly quite suitably rest an expansion of credit facilities from the banks.”

The Committee appointed by the Government of the Federated Malay States in Kuala Lumpur observed about Nattukottai Chettiyars' banking in their report in connexion with the failure of the scheme of Government loans for purely agricultural business as follows:—“These people have an apparently inexhaustible capital; their sole reason for existing is to borrow and lend money; they are mild and gentle in disposition; among Europeans and Asiatics they bear a good name for honesty and even for kindness to borrowers. It is a well-known fact that where these money lenders know a Malay of good standing they often lend him money merely on a note of hand with no security at all. As they have been bankers for centuries they know their business. No Government fund can hope to compete with them except to a very restricted extent. They live or their agents live amongst their borrowers and can lay a finger on the pulse of any man's business should they care to lay it. They are men of business, not a Government Department, and they know their business as professionals and not as amateurs.” In December 1929 the public of Rangoon in their address presented to the Hon'ble Raja Sir Annamalai Chettiyar of Chettinad referred to the part played by the Chettiyars in the growth and development of agriculture and trade in Burma in the following terms:—

“None can realize better than the people of this Province the part which Chettiyars have silently played in the development of agriculture and business and it is a tribute to the upright system of Chettiyar banking and money-lending that no other system of finances has yet been evolved which is capable of giving to agriculture and business in this Province the impetus and stability which Chettiyars have achieved.”

Kinds of transactions.—The Chettiyar firms allow drafts to be drawn upon them by their constituents by means of hundis,—dharsanai hundis or hundis payable at sight and nadappu hundis or hundis payable at sight with interest at the nadappu rate from the date of issue to the date of presentation. Samples of such hundis are enclosed for reference. They discount hundis of traders and thus help internal trade. They undertake the transmission of moneys from one place to another both in South India, Burma and Ceylon, Malay Peninsula, Indo-China and other places. They aid rice millowners, cotton-ginning factories and other cottage industries by granting loans. They also lend on the security and mortgage of goods and immovable properties but this has been declining very much in recent times owing to the competition of joint stock banks which mainly lend on securities of goods and produce.

Resources.—The resources of the Nattukottai Chettiyars for lending in addition to their own capital consist mainly of deposits received from their own relations and friends—members of their own community in Chettinad itself. These are known as ‘Thanadumal’ deposits. Those who were carrying on business in cities and urban areas had been in the habit of receiving deposits and attracting considerable sums sometimes

extending even to large sums of over a lakh or lakhs from individual depositors (private persons) and were thus serving as an agency for fostering the habit of banking and thrift and making several lakhs of rupees available for development of country's needs.

The deposits made by the public in Nattukottai Chetti firms are not payable after fixed periods except in a few instances. There has been a great elasticity of demand by and repayment to the depositors. The normal rules obtaining in public banks of keeping a proportion of deposits in fluid resources in cash or in forms readily convertible into cash yielding little or no interest on such funds has not been adopted by the Nattukottai Chettis. So long as their debtors were keeping up their credit the Chettiyars experienced no difficulty in their meeting the obligations of their depositors, but when the borrowers became experts in delaying and defeating the Chettiyar firms and prolonging the litigation in courts or become adjudged bankrupts after they secrete their properties, the Chettiyars had begun to experience difficulty in meeting their obligations and in speedily realizing their dues in courts. The public banks were slow in accommodating them. Hence Chettiyar firms returned their deposit amounts to the depositors and now mainly do their business operations with their own resources. Thus one of the important agencies for pooling the resources which otherwise were not useful to the public have ceased to function in that line.

Interest.—The Chettiyars adopt a current rate of interest analogous to the Imperial Bank rate and fix it month after month, in a meeting of the Nattukottai Chettiyar businessmen in the City of Madras. The rates so determined at such meetings practically govern the current rates of interest in their operations throughout South India. The dealings between Chettiyars themselves are governed on the basis of this nadappu or current rate. The rate varies from 6 to 12 per cent per annum in accordance with the demand of the money market. The rate of interest paid on these deposits is generally the nadappu rate, i.e., between 8 to 9 per cent per annum. The Chettiyar bankers also borrow from the Imperial Bank and the Indian Bank. The average rates of borrowing vary from 8 to 10 or 11 per cent per annum. The Imperial Bank charges one per cent per annum. The Indian Bank charges two per cent per annum over the Imperial Bank rate. Such loans are generally granted on the security of promissory notes with joint signatures of approved parties. As for the exchange banks in Madras they do not lend to the Chettiyars excepting the P. & O. Bank and that too to a small extent only. The Chettiyar bankers pay a higher rate of interest to the banks than the Multanis who borrow from the banks at bank rate only. The rates at which the Chettiyar bankers lend in South India vary between 15 and 18 per cent on loans without securities, 18 per cent per annum being generally charged only on smaller sums.

The overhead charges (establishment, bonus, etc.) have to be met out of this marginal interest. Besides the real rate of interest which other banks (co-operative banks or joint stock banks like the Indian Bank) are charging and the conditions imposed by such banks on the borrowers do not become part of the common knowledge of the public. The joint stock banks also charge between 10 and 12 per cent and lend only on securities or on joint signatures of approved parties. Few borrowers alone will be in a position to get sureties or securities of properties. If such securities are offered, indigenous bankers also charge lower rates of interest. The public banks value the property overstrictly, generally refuse extension of time to repay and insist upon the payment of interest every quarter in the case of ordinary loans, monthly interest in the case of overdraft debts and in the case of hundis take interest in advance on the date of loans. The indigenous banker as above pointed out most often grants loans without securities and without sureties, and agricultural borrowers pay interest only at intervals of a year to the indigenous bankers. Having regard to the attendant risk, 12 to 15 per cent per annum on ordinary loans of heavy sums and 15 to 18 per cent per annum on petty loans must be considered reasonable.

In this connexion, it is worth while noting that landlords lending to agriculturists in their own villages lend at about 15 per cent per annum or a rate in kind or produce which may work to 18 per cent per annum. The landlords have no overhead charges while the Chettiyar bankers have to employ agents and assistants and pay their salary giving them free

boarding and lodging, etc., in addition. The establishment charges of the Chettiyar banks is run on most economical lines and naturally therefore the expenses are within limits.

Even in the case of the co-operative societies which apparently lend at the rate of $9\frac{3}{8}$ per cent per annum to the agriculturists (rural population) the real and effective rate of interest actually paid by the ryots is $12\frac{1}{2}$ per cent or $18\frac{1}{2}$ per cent per annum. In connexion with the co-operative societies, the following facts must be borne in mind, to correctly estimate the work done by the indigenous bankers.

Further the funds at the disposal of the co-operative societies are limited. They have to get their resources only from central banks. If more moneys are needed for lending, an elaborate process of amending the by-laws and getting the sanction of the department and the central bank is necessary. There are incidental delays to the extent of over a year in having the sanction of the department as well as of the central bank. A limit is also imposed on the borrowing capacity of individual members, generally the maximum amount of loan that can be granted to individuals is only Rs. 800. The resources of the co-operative societies do not meet a fraction of the demands of the rural population. There is therefore a general complaint on the part of the borrowers that the co-operative societies do not meet their demands.

Co-operative societies are generally organized and managed by a few interested persons who neither have the requisite business training nor a real outlook to the needs of the rural borrowers. The persons in charge of the rural co-operative societies almost always act on personal and private motives in granting loans. Moreover, the persons in charge of these societies are only honorary workers without real business habits. In almost all rural societies, the persons who run the societies are themselves the borrowers and habitual defaulters in payment of their dues to the banks which they are supposed to manage. They always pay penal interest. It is natural to expect leniency in lending and no timely pressure is made for repayment of loans. This fact coupled with the condition of the borrowers, drives the societies to levy penal interest at the rate of 2 pies per rupee per month ($12\frac{1}{2}$ per cent per annum) to caste societies and at the rate of 3 pies per rupee per mensem ($18\frac{1}{2}$ per cent per annum) to depressed classes societies.

The Government does considerable propaganda work for the co-operative societies. An elaborate and costly department (the cost of which is borne by the general tax-payer) is provided for their audit and inspection. If co-operative societies take mortgages from debtors, no expense is involved as in the case of an ordinary money-lender. The Registration offices do not charge for the granting of encumbrance certificate or for the registration of documents. They are also exempt from paying stamp duty and income-tax. The Act also enables them to obtain decrees without any expenditure through Arbitration Courts. The execution of decrees is done mainly by the Revenue Courts. The co-operative societies are not affected by the Insolvency Act, as there is the joint and several responsibility to the full extent of the indebtedness by all the members and the debts could be recovered from co-obligors.

The working of the co-operative movement from 1904 to 1930 with the indigenous banker functioning side by side with the co-operative societies in increased numbers as years pass by shows the necessity of the indigenous banker. The indigenous banker has now to serve the direct needs of the villagers and also to enable them to repay the loans borrowed from the co-operative societies. If the co-operative movement is to be self-contained without the aid of the Government and without depending on the general tax-payer, the ordinary interest and the penal interest that they will have to charge would be much higher than $9\frac{3}{8}$ per cent, $12\frac{1}{2}$ per cent or $18\frac{1}{2}$ per cent per annum.

From the above facts the work done by the indigenous banker is seen in its true proportion and perspective. It is also clear that the agriculturists will suffer if the services of the indigenous bankers are not made available to them. Far from looking down upon the activities of the indigenous banker with prejudice, the true well-wishers of the ryots should find ways and means to improve the facilities available to the indigenous bankers so that they might continue to do the useful work of financing agriculture.

Difficulties in recovery.—On account of the debtors getting the aid of law courts for delaying and defeating the creditors both in insolvency and civil courts, the rate of interest being decreased on filing suits in courts from the contract rate to 6 per cent per annum (the court rate of interest) and the difficulties attending the realization of the amounts in execution of decrees, a habit has grown in Coimbatore of providing in the loan document higher rates of interest than is actually intended to be recovered from the debtors to cover possible losses in the event of the debtor resorting to tactics to delay realization.

In the case of loans on securities of land and house properties, if the borrowers do not pay, the creditor has necessarily to resort to law courts. The system of laws obtaining in British India in regard to immovable properties and mortgages enable numerous defences being put forward. Title to immovable properties though standing in the name of the borrowers, is in many cases not clear. Eminent lawyers are unable to advise on title in many cases.

In recent years, owing to various causes and the absence of industrial and manufacturing activities in South India, the borrowers have lost their little sense of punctuality and desire to pay the debts and meet their obligations on the due dates. The absence of facilities for borrowers to make their living in the event of failure of business in the case of businessmen or the loss of property in the case of agriculturists and the inherent human weakness to clutch at some means of living make the debtors adopt all devices for delaying and cheating the creditors through the instrumentality of insolvency and civil courts. The laws obtaining in British India help the debtors very much in thwarting their creditors. The difficulties are enhanced owing to the courts not having an adequate business sense and not having a knowledge of the real conditions of the bankers' business.

There is a general impression that the Chettivar banker draws a large amount of money from the banks and from the public and lends such moneys to his clients at high rates of interest. The fact however remains that the capital that the Chettivar bankers bring into their business in India and Burma on the whole is many times more than the amount which they get by way of loans from the joint stock banks and of deposits from the public. As stated above, they have more or less ceased to take deposits from the public at any rate in this Presidency. The joint stock banks on the other hand get deposits from about 8 to 10 times their capital and that at considerably cheaper rates of interest.

A kind of prejudice has thus pervaded the atmosphere that the indigenous banker has been feeding fat upon the borrowers; but the real basis of their business, the rate of their borrowings (average rate of 10 per cent per annum), they could not possibly lend at less than the above rates.

The natural inclination of the Chettivars is to do business and near their permanent places of business in Tamilnad. The existing forces act contrary to this natural inclination and they undertake the trouble of learning foreign languages and doing business in foreign countries and in recent years have been diverting their capital from South India to foreign countries.

Reserve bank.—We desire that a central reserve bank should be brought into existence. The reserve bank should give rediscounting facilities not only to the joint stock banks but also to the indigenous bankers. Unless this is done, only the fringe of the problem of finance would have been touched, for a very large portion of the country's internal trade is still financed by the indigenous bankers and existing facts must be recognized. Any reasonable stipulation in respect of capital, deposits, stricter regulation of their business activities, submitting their accounts to audit, furnishing balance sheets to depositors and lenders may be enforced upon the indigenous bankers who desire rediscounting facilities with the reserve banks and receipt of deposits from the public. Very large needless fluid resources are kept unutilized in public banks owing to the impossibility of relaxing their rules as to loans. In the Madras Central Urban Bank alone, during the past few years there has been a sum of over 50 lakhs lying in the shape of Government securities and over 10 lakhs in other provincial banks as the entire deposit amount received could not be used in making loans. Yet the deposits could not be returned lest they should be permanently lost to the banks.

It is highly desirable in the interests of the general public that a link should be established between indigenous bankers and public banks so as to enable the surplus unutilised moneys of public banks available to the villagers and thus to reach new areas hitherto not touched by the banks.

In this connexion, Sir Basil Blackett, while he was Finance Member of the Government of India stated as follows in a speech made by him at Delhi:—

“If banking in rural areas is to be developed to the extent required, it will, I think, have to be by the recognition of the indigenous banking system, and its adaptation, rather than by its supersession by joint stock banks managed on western lines. It would be desirable also if some method could be found, as, for example, has been done in the American banking system, for linking up the small rural banks from below with the Imperial Bank system from above?”

A certain class of companies is being floated, freely opening up their business in various centres offering attractive rates to depositors and advertising that loans will be made freely to borrowers. The capital of these limited companies is a few thousands of rupees and do not bear any kind of comparison with the capital of indigenous bankers.

Stamp on hundis.—The present stamp duty on hundis is excessive and stands in the way of the progress of its general adoption. The trade and commerce of the country will be considerably promoted if the hundi becomes popular. One certain way of popularising it is by reducing the stamp duty to a nominal value. The exemption of stamp on cheques led to an increase in the banking operations and to increased deposits. A bill market, if built up, will be of great help to the elasticity of currency in India. We hear sometimes the complaint that the Imperial Bank is not in possession of sufficient hundis on which they may raise loans from the Paper Currency Department during the busy season. The promotion of a bill market in India is very essential if the proposed central reserve bank for India is to be of use to the commerce and trade of the country by way of providing rediscounting facilities.

The Government ought to devise means of simplifying the procedure in courts and permitting the fluidity of loanable capital. This matter is rather urgent as the present procedure of courts locks up the working capital of indigenous bankers and makes it unavailable to the agriculturists who cannot be reached by the joint-stock banks. Compulsory resort to summary procedure in respect of the transactions of merchants, bankers and traders must be provided for in the Procedure Codes.

Insolvency.—The successful way in which some debtors conceal their properties and then resort to insolvency proceedings and get their discharges induce other debtors to adopt like means and escape liabilities instead of being honest to their creditors. The provision and the working of the Insolvency Act require to be made more stringent with a view preventing the resort of the Insolvency Act on flimsy grounds. The Insolvency Act must be confined to real cases of bona fide loss and to honest debtors.

Title to immovable properties.—The law in British India, as it stands at present, places considerable obstacle on loan operations on the security of immovable properties. The title to immovable properties is not clear in many cases and even the best of lawyers find it difficult to give definite advice on titles. The laws of inheritance, the joint family system, the existence of rights in persons other than those in whose names the properties stand in public registers and the recognition of benami system of conveyances make it very difficult for any banker, public or individual, to lend on the security of immovable properties.

The Imperial Bank of India Act has therefore expressly provided that “the Imperial Bank shall not make any loan or advance or transact any kind of business upon the security of any immovable property or documents of title relating thereto.”

So long as immovable properties form the chief wealth of the country, for the purpose of solving the economic problem both of agriculturists and of traders, greater facilities must be afforded to obtain more easily credit on the security of immovable properties. There must be free scope for purchases, sales and mortgages of immovable properties. The land

mortgage banks can efficiently function only if such facilities are afforded. The present system of ascertaining title to immovable properties by deeds registered in the registration offices is extremely defective and must be done away with. It affords very little facility for ascertaining the exact liabilities on immovable properties. The existing public registers are imperfect and fall immeasurably short of the service to be rendered by public registers. An examination of the documents registered in the registration offices did not reveal all the liabilities on immovable properties not imposed by and not mentioned in registered documents but yet permitted by law. A mortgagee or a purchaser is deemed to have had notice and therefore bound by them. The liabilities though not mentioned in registered documents do attach themselves to immovable properties even though a person in good faith takes a transfer of immovable properties by mortgage or sale without any knowledge of such liabilities. For instance, if a suit is filed in connexion with an immovable property, any transaction in regard to that property will be affected by the doctrine of *lis pendens* provided for in section 52 of the Transfer of Property Act. There may be orders and judgments of court operating as a charge on immovable property that will affect transactions relating to such properties; and they cannot be traced in registration offices. There may be statutory charges and other rights affecting immovable properties. They do not appeal in the abstract of title obtainable in registration offices. Therefore the present system of registration is wholly inadequate to meet the needs and requirements of transactions relating to immovable properties. It is therefore necessary to devise proper remedies as far as may be to overcome the existing defects. Ways and means have also to be adopted to supplement the existing system so as to afford reasonable safety to persons having transactions relating to immovable properties. The functions of the Registration department must be enlarged so that all charges and liabilities affecting immovable properties which are now unascertainable by obtaining encumbrance certificates and copies of documents from registration offices may also appear in the registration books. In the case of properties which may be affected by *lis pendens*, it must be provided that if a memorandum of the existence of such a suit is not left with the Registrar and entered in the registration books open to search by the public, the property ought not to be affected by *lis pendens*. Similarly, judgments and orders imposing a charge should not also have operation unless a memorandum thereof is left with the Registrar and registered. The registers must be kept in a central place in each district so as to afford every convenience and facility for search and inspection by the public on payment of a fee. The present system of obtaining encumbrance certificates without the public having an opportunity to look into the books themselves must be altered.

If the law regarding the title to immovable properties and to transfers of the same either by way of leases, mortgages or sales is approximated to the system obtaining in Australia and adopted in the Federated Malay States, and in certain other newly developed colonies, it will be in the interests of the material progress and improvement of trade conditions and banking facilities in this country. The present system of title places great impediments in obtaining advances and banking credit on immovable properties. If the law is altered as above suggested, the only proprietor who will be recognized in law will be the person in whose name the title stands in the public register. A certificate or document of title can be issued by a special officer noting therein the name of the proprietor, the encumbrances, if any, upon the property, the discharge of encumbrances, alienations in respect of the said property thus giving in a sheet of paper all particulars regarding the properties doing away with the necessity of obtaining encumbrance certificates. The discharge of encumbrances must be made compulsorily registrable. The conditions regarding the executants personally appearing before the Registrars of Assurances for registration of the documents may be relaxed. Provision may be made that if such a document be attested by a Honorary Magistrate or Notary Public, the same may be allowed to be registered by the registering officer. The title of the registered proprietor must be made indefeasible except in cases of fraud and misrepresentation to which the proprietor is proved to be a party. When a property stands in the names of more than one, unless the shares in which the property is owned are defined in the registered document, it should be provided that the properties should be presumed to be

owned in equal shares. Every proprietor should have the right to transfer, charge or lease his share or right in the property to any person in the absence of any restriction in that behalf. A certificate of title should be issued by a special Government officer and this should be the primary document of title, and no copy thereof should be allowed to be obtained except upon satisfactory proof of the loss of the original.

The enforcement of mortgages or charges should be made much simpler. There should be a land officer through whom a mortgagee should be in a position to send the notice to the debtor calling for payment of mortgage amount after specified days and notifying that the property will be sold by public auction in default of such payment. The debtor may be enabled to appear before the Collector showing cause why the land should not be sold. If the Collector is satisfied that a default had been made as notified by the mortgagee and if no cause be shown to his satisfaction by the debtor, the Collector shall order the sale of the land charged or such portion thereof as he may think fit and the sale should be held by a public auction duly notified and advertised at the expense of the mortgagee, that the sale should be held 30 days after the date of the order of sale with powers of postponement of sale. The reserve price may be fixed upon the land and the auction conducted by a public licensed auctioneer. On payment of the purchase price, the Collector should sign a memorandum of transfer in a specified form and deliver the same to the purchaser. The system of caveats or objections to the transfer, charge or lease of immovable property by the registered proprietor may be provided for in favour of any person claiming the title or interest in the land to remain in force for three months from the date of entering the caveat. The caveator may be required to show cause why the caveat should not be withdrawn and the court may adjudicate upon the merits of the caveat. Restrictions may be made on transfers of small holdings except the genuine agriculturists.

Income-tax Act is being administered in a spirit highly detrimental to the commercial class. There is not sufficient realization on the part of the Income-tax Officers that the indigenous banks will reduce their loan rates to agriculturists and traders if they are reasonable in the methods of assessment.

Need for establishing bonded warehouses.—The question of the institution of bonded warehouses requires adequate consideration. One of the difficulties in the way of the agriculturist is that he does secure adequate value for his produce since he has to dispose of it outright as soon as the produce is harvested. The middlemen are in a position to make large profits out of the trade in produce. The banker is not in a position to lend to the agriculturist confidently on the security of the produce harvested since there are no facilities for stocking the produce. In these conditions it will be a great help if in important centres bonded warehouses are established. It has been suggested that private agencies should come forward to build and run such warehouses. To inspire public confidence we feel it necessary that the Government should establish and run these warehouses. The warehouse certificates should be made negotiable instruments. This will help the indigenous banker and the small joint-stock banks to lend freely on the security of produce at reasonable rates of interest and have the certificates rediscounted at the bigger banks. Steps ought also to be taken for grading and sampling the produce at the warehouses and this will facilitate the fixing of the limit up to which money could be advanced on the produce by the banker. Incidentally it may be mentioned that such standardising of our produce will help the producer to get much better prices in international market. The warehouse system, if well established, will form the nucleus of a satisfactory marketing organization of which the agriculturists stand in such dire need.

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Rs. _____

PANAYAPATTI M. RM. M.

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ருக்கு இது கொண்டுவந்தார் வசம்

சென்னப்பட்டணத்தில் எங்கள்

அடத்தி சுப. சொ. ரூ. சுப்பிர

மணியஞ் செட்டியார் _____

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முதல் நடப்பு வட்டியுடன் பணம்

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கொண்டு எங்கள் கணக்கில் பத்

தெழுதிக்கொள்ளவேண்டியது.

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ருக்கு இது கொண்டுவந்தார் வசம்

சென்னப்பட்டணத்தில் எங்கள்

அடத்தி சுப. சொ. ரூ. சுப்பிர

மணியஞ் செட்டியார் _____

ரூ.

முதல் நடப்பு வட்டியுடன் பணம்

கொடுத்து செல்லுடன் பெற்றுக்

கொண்டு எங்கள் கணக்கில் பத்

தெழுதிக்கொள்ளவேண்டியது.

இப்படிக்கி,

மு. ரூ. மு.

(Translation.)

No.

Rs.

Panayapatti M. Rm. M.

Dated,

Cr.—

Dr.—M. Rm. M. Firm, Rs.

Our * Adatti S. S. Rm. Subrahmanyam Chettiyar to pay the bearer at Madras the sum of Rs. mentioned above to the order of

..... together with interest at the current rate from (date), obtain an endorsement of the payment hereon and debit the same in our accounts.

M.Rm.M.

No.

Rs.

Panayapatti M. Rm. M.

Dated,

Cr.—

Dr.—M. Rm. M. Firm, Rs.

Our * Adatti S. S. Rm. Subrahmanyam Chettiyar to pay the bearer at Madras the sum of Rs. mentioned above to the order of

..... together with interest at the current rate from (date), obtain an endorsement of the payment hereon and debit the same in our accounts.

M.Rm.M.

* Apparently 'Commission agent.'

செவகிருபை.

No. _____

Rs. _____

ஸ்ரீ ஷண்முகனாதன் துணை.

சி. ரூம., கண்டனூர்.

C. RM., KANDANOOR.

19 _____ மீ _____ உ

வரவு

கண்டனூர் சி. ரூம., பற்று ரூ.---

இந்த ரூபாய் _____ ம்

_____ ஆர்டருக்கு கொண்டுவந்தார்

வசம் _____ பணம்

கொடுத்து இதில் செல்லுடன் _____

பத்தெழுதிக்கொள்ள வேண்டியது.

_____ ரூ.	}	இந்தப்படிக்கி, சி ரூம.
_____ மீ		
_____ உ		

செவகிருபை.

No. _____

Rs. _____

ஸ்ரீ ஷண்முகனாதன் துணை.

சி. ரூம., கண்டனூர்.

C. RM., KANDANOOR.

19 _____ மீ _____ உ

வரவு

கண்டனூர் சி. ரூம., பற்று ரூ.---

இந்த ரூபாய் _____ ம்

_____ ஆர்டருக்கு கொண்டுவந்தார்

வசம் _____ பணம்

கொடுத்து இதில் செல்லுடன் _____

பத்தெழுதிக்கொள்ள வேண்டியது.

_____ ரூ.	}	இந்தப்படிக்கி, சி. ரூம.
_____ மீ		
_____ உ		

(Translation.)

No.

Rs.

C.Rm., Kandanoor.

Dated, 19 .

Cr.—

Dr.—C.Rm., Kandanoor, Rs.

..... to pay the
bearer the sum of Rs.
mentioned above to the order of
.....
and debit the same
with an endorsement of the pay-
ment hereon.

Dated,

C.Rm.

No.

Rs.

C.Rm., Kandanoor.

Dated, 19 .

Cr.—

Dr.—C.Rm., Kandanoor, Rs.

..... to pay the
bearer the sum of Rs.
mentioned above to the order of
.....
and debit the same
with an endorsement of the pay-
ment hereon.

Dated,

C.Rm.

செவ்வயம்.

முத்தமாரியம்மன் துணை.

No. _____

Rs. _____

KILASAVALPATTI
P. ALAGAPURI PR. S. RM.

கீழ்ச்சிவல்பட்டி

பி. அளகாபுரி பெரி. சு. ரும.

193 டிஸு _____ மீ _____ உ

வரவு

பெரி. சு. ரும. பற்று ரு. _____

இந்த ரூபாய் _____

ஷெயார் ஆர்டருக்கு கொண்டு
வந்தார் வசம் கேழ்க்கும்போது
பணம்
கொடுத்து இதில் செல்லுடன் இவ
டம் பத்தெழுதிக்கொள்ள வேண்டி
யது.

_____ டிஸு } இப்படிக்கி,
_____ மீ } பெரி. சு. ரும.
_____ உ }

செவ்வயம்.

முத்தமாரியம்மன் துணை.

No. _____

Rs. _____

KILASAVALPATTI
P. ALAGAPURI PR. S. RM.

கீழ்ச்சிவல்பட்டி

பி. அளகாபுரி பெரி. சு. ரும.

193 டிஸு _____ மீ _____ உ

வரவு

பெரி. சு. ரும. பற்று ரு. _____

இந்த ரூபாய் _____

ஷெயார் ஆர்டருக்கு கொண்டு
வந்தார் வசம் கேழ்க்கும்போது
பணம்
கொடுத்து இதில் செல்லுடன் இவ
டம் பத்தெழுதிக்கொள்ள வேண்டி
யது.

_____ டிஸு } இப்படிக்கி,
_____ மீ } பெரி. சு. ரும.
_____ உ }

முதல் வட்டி.

(Translation.)

No.

Rs.

Kilasavalpatti

P. Alagapuri Pr. S. Rm.

Dated, 193 .

Cr.—

Dr.—Pr.S.Rm., Rs.

..... to pay the
bearer on demand the sum of
Rs. mentioned above
to the order of the abovementioned
person and debit the same in our
accounts with an endorsement of
the payment hereon.

Dated,

Pr.S.Rm.

No.

Rs.

Kilasavalpatti

P. Alagapuri Pr. S. Rm.

Dated, 193 .

Cr.—

Dr.—Pr.S.Rm., Rs.

..... to pay the
bearer on demand the sum of
Rs. mentioned above
to the order of the abovementioned
person and debit the same in our
accounts with an endorsement of
the payment hereon.

Dated,

Pr.S.Rm.

Interest from (date)

செவமயம்.

No. _____

Rs. _____

அண்ணாமலைபார் துணை.

க. வீ. அள. அள., பிளங்கு.

K. V. AL. AL., PENANG.

19 _____ ரூபாய் _____

பிளங்கில் _____ வரவு

க. வீ. அள. அள. கடை பற்று

ரூ. _____ இந்த

ரூபாய் _____ ம்

தெரிசனையில் இது கொண்டுவரு

கிற _____ ஆர்ட

ருக்கு கொண்டுவந்தார் வசம் மத

ராஸ் _____ பணம்

குடுத்த யிதில் செல்லுடன் யிவடம்

யெங்கள் கடைப் பத்தெழுதிக்கொ

ள்ளவேண்டியது.

_____ ரூபாய் } க. வீ. அள. அள.,

_____ ரூபாய் } எஜன்டு.

_____ ரூபாய் }

(Translation.)

No.

Rs.

K.V.AL. AL., Penang.

Dated, 19 .

Cr.— at Penang.

Dr.—K. V. Al. Al. Firm, Rs.

..... to pay at sight the bearer at Madras the sum of Rs. mentioned above to the order of who brings this and debit the same in the accounts of our firm here with an endorsement of the payment hereon.

Dated, K.V.AL.AL.,
Agent.

செவமயம்.

No. _____

Rs. _____

அண்ணாமலைபார் துணை.

க. வீ. அள. அள., பிளங்கு.

K. V. AL. AL., PENANG.

19 _____ ரூபாய் _____

பிளங்கில் _____ வரவு

க. வீ. அள. அள. கடை பற்று

ரூ. _____ இந்த

ரூபாய் _____ ம்

தெரிசனையில் இது கொண்டுவரு

கிற _____ ஆர்ட

ருக்கு கொண்டுவந்தார் வசம் மத

ராஸ் _____ பணம்

குடுத்து யிதில் செல்லுடன் யிவடம்

யெங்கள் கடைப் பத்தெழுதிக்கொ

ள்ளவேண்டியது.

_____ ரூபாய் } க. வீ. அள. அள.,

_____ ரூபாய் } எஜன்டு.

_____ ரூபாய் }

No.

Rs.

K.V.AL. AL., Penang.

Dated, 19 .

Cr.— at Penang.

Dr.—K. V. Al. Al. Firm, Rs.

..... to pay at sight the bearer at Madras the sum of Rs. mentioned above to the order of who brings this and debit the same in the accounts of our firm here with an endorsement of the payment hereon.

Dated, K.V.AL.AL.,
Agent.

..... interest from (date).

சிலமயம்.

சோலையாண்டவர் துணை.

No. _____

Rs. _____

பள்ளத்தூர் சொ. மு. அ. மெ.

_____ ரூபாய் _____ பைசா

_____ வரவு

சொ. மு. அ. மெ. கடைப்பற்று

ரூ. _____ இந்த ரூபாய் _____ ம்

_____ முதல் ரெங்கோன்

தடப்பு வட்டியுடன் _____

_____ ஆர்டருக்கு

இது கொண்டுவந்தார் வசம் கேழ்க்
கும்போது ரெங்கோனில் பெயர்கள்

_____ செட்டி பணம்

கொடுத்து இதில் செல்லுடன் பெற்
றுக்கொள்ளவும்.

_____ ரூபாய்	} இந்தப்படிக்கி,
_____ பைசா	
_____ செ. மு. அ. மெ.	

(Translation.)

No.

Rs.

Pallattur S.M.A.M.

Dated,

Cr.—

Dr.—S. M. A. M. Firm, Rs.

Our Chetti
to pay the bearer on demand at
Rangoon the sum of Rs.
mentioned above together with in-
terest, at the rate current in
Rangoon, from (date)
to the order of
..... and obtain an endorse-
ment of the payment hereon.

Dated, S.M.A.M.

சிலமயம்.

சோலையாண்டவர் துணை.

No. _____

Rs. _____

பள்ளத்தூர் சொ. மு. அ. மெ.

_____ ரூபாய் _____ பைசா

_____ வரவு

சொ. மு. அ. மெ. கடைப்பற்று

ரூ. _____ இந்த ரூபாய் _____ ம்

_____ முதல் ரெங்கோன்

தடப்பு வட்டியுடன் _____

_____ ஆர்டருக்கு

இது கொண்டுவந்தார் வசம் கேழ்க்
கும்போது ரெங்கோனில் பெயர்கள்

_____ செட்டி பணம்

கொடுத்து இதில் செல்லுடன் பெற்
றுக்கொள்ளவும்.

_____ ரூபாய்	} இந்தப்படிக்கி,
_____ பைசா	
_____ செ. மு. அ. மெ.	

No.

Rs.

Pallattur S.M.A.M.

Dated,

Cr.—

Dr.—S. M. A. M. Firm, Rs.

Our Chetti
to pay the bearer on demand at
Rangoon the sum of Rs.
mentioned above together with in-
terest, at the rate current in
Rangoon, from (date)
to the order of
..... and obtain an endorse-
ment of the payment hereon.

Dated, S.M.A.M.

Written evidence of M.R.Ey. C. A. C. KASINATHAN CHETTIYAR
Avargal, Banker and Honorary Magistrate, Kothamangalam,
Ramnad district.

Indigenous banking.—The indigenous banking systems of India have been the growth of centuries and they have played a very important and active part in the development of agriculture, trade and industries in India. The modern system of joint-stock banking has been modelled on the western banking practices and experience has taught us that, however much, the system of joint-stock banking might try to supersede the indigenous banking, it will obviously be impossible, in the present circumstances and conditions of things, to totally replace it. The indigenous banker has been for a long time past playing a very active part in the development of trade and agriculture. If we want to arrive at a clear understanding of the functions of indigenous bankers, we should confine our attention to the operations of the Mahajans, Marwarl bankers or shroffs, the Multanis and the Nattukottai Chettians. From the very beginning we should keep before our eyes the distinction between the systems of indigenous banking and joint-stock banking, which latter is the growth only of the last few years. The problem we have to solve is how to co-ordinate the two systems so that each will be a necessary complement of the other. Sir Basil Blackett has once said, "If banking in rural areas is to be developed to the extent required, it will, I think, have to be by the recognition of the indigenous banking system, and its adaptation, rather than by its supersession by joint-stock banks managed on western lines. It would be desirable also if some method could be found, as for example, has been done in the American banking system, for linking up the small rural banks from below with the Imperial Bank system from above". The most vital part of the problem is how to carry pecuniary help into the rural areas for meeting the needs of the agriculturists to enable them to carry on agricultural operations. It is a sad truism that life in the villages is almost a gamble owing to the frequent failure of the monsoons. And though the needs of village life are comparatively small, yet the villager has little or no training in limiting his expenditure in proportion to his income. Neither has he any accurate conception of the need for meeting his financial obligations on the due dates. But the very reverse is the case in urban centres. The prompt and punctual meeting of financial obligations on the due dates is considered to be of the very essence of the life in cities for businessmen. In the circumstances in which he is placed and in the present economic condition of the society, it is idle to find fault with the indigenous banker who provides finance at great risk to himself and unless there is a distinct improvement in the social and economic conditions of the villagers, the present system is bound to continue with all the evils attendant on it.

The nature of the work of the indigenous banker.—The indigenous banker does various kinds of work such as lending money for short as well as long periods, financing the industrialist, the agriculturist, and the retail and wholesale trader. He also acts as an agent for the transmission of moneys from one place to another. The greatest virtue of the indigenous banker is the elasticity of his methods both in the matter of lending to and recovering back moneys from his customers. There is a great deal of the personal and the human element in his transactions with his clients. The indigenous banker has the door of his firm open to his clients at all hours of the day without any reference to hours of business. Then there is no insistence on the return of the moneys on the due dates as in the banks, but the money is recovered from the clients according to their conveniences. These and the other facilities afforded by the indigenous bankers cannot be adopted by the joint-stock banks who proceed according to the strict laws of banking with its elaborate and complicated machinery often too inelastic to suit the dire and timely needs of the customers. One main reason why the indigenous banker has been able to compete successfully with the joint-stock, the co-operative, and other Government aided banks is that he is in almost daily touch with his customers, and practically lives in the very centre of his clientele. He has

every opportunity of studying the economic position of his clients and can lay the right finger on the pulse of their financial position. In cases of real and bona fide losses by his customers in business, he is somewhat more humane and is often found to be equanimous and in these ways he has stood the test of centuries, and thus justified the necessity of his position in the economic framework of the society. But the question now is what part they should play in the future of Indian banking. And to this question we should now turn our attention.

In dealing with the indigenous banking systems in India, our attention would be confined to the Nattukottai Chettiars class of bankers, for they contribute the bulk of the indigenous banking community in Southern India and in Burma. Their homes are in the Ramnad district and the Pudukottah State. Their number can never exceed a few thousands and yet by virtue of their instinctive genius for business, and on account of their enterprises, they have spread themselves over various parts of the Madras Presidency, the whole of the Malay Peninsula, the whole of Indo-China, and in various parts of the Spice Islands. They can very well be likened to the Parsees in Bombay whose number also is very small but who on account of their genius and enterprise have won for themselves a position of great importance there. They have fostered a sort of communal solidarity among themselves which has kept up unsullied their honesty and probity in business and has earned for them the enviable name of upright businessmen. Their relations with their borrowers are always very cordial and smooth. And even where they have incurred very heavy losses in business, they have never got perturbed, but faced them with equanimity, a very crucial test of business capacity.

They generally employ agents at the several centres of their business, but in rare circumstances, the proprietors themselves conduct the business. But they are kept informed almost daily of the business activities in the various centres by systematic correspondence with their agents. The agents are recruited generally once in every three years for a consolidated remuneration for all the three years, their personal expenses such as boarding, lodging, etc., being borne by the firm. There is also a system of paying bonuses dependent on the profits of the branch both to the agent and to the other members of the staff, the payment of the bonus being made to depend on their returning to their business after some interval of holidays. The staff is selected only after a fairly long period of apprenticeship and training from boyhood, and there is also the system of graded promotions till a raw recruit attains to the position of the chief agent of the firm. The capital of the Nattukottai Chetti firms consists mainly of their own moneys and of what are called *Thandu morai* deposits or deposits from the members of their own community. Such deposits sometimes extended even to large sums of over a lakh or lakhs from individual depositors. In recent years, however, considerable difficulty has been experienced in the realization of their dues from their debtors, for between the creditor and the debtor, the law invariably favours the latter. The working of the Provincial Insolvency Act has also, in practice, placed the creditors at considerable disadvantage. Instead of the operation of the Act being confined to cases of bona fide losses, all sorts of people have begun to seek protection under the Act, having previously secreted their properties. The procedure in the civil courts for the recovery of dues is inordinately slow and very often years elapse between the time of the first institution of the suit and the execution of the decree, and the realization of the debt. The rate of interest which the courts allow from the date of decree is only 6 per cent, which is again another point of disadvantage for the creditors. Moreover the operations of the income and super-tax which were originally designed only as an experimental measure have now begun to press hard on the indigenous bankers, and sometimes the most authentic accounts are disbelieved. It would be better if in computing the income-tax, the basis of calculation adopted is three years. And it would certainly be a great relief if remissions are granted in cases of bona fide losses in business. At any rate the present working of the Act has its own disadvantages. All these have practically compelled the Chettiars to cease to take deposits from the public and they are now doing business only with their own moneys. And though they would like to do business in and near their own places, the forces above mentioned are acting against their natural inclination with the result that a good portion of their capital has been diverted from South India to other countries.

Nature of transactions carried on by Chettians.—The Nattukottai Chetti firms allow drafts to be drawn upon them by their clients. These drafts are known as "hundis." Two forms of "hundis" are in current use among the Nagarathars, viz., the darsanai hundis or hundis payable at sight, and nadappu vaddi hundis or hundis payable at sight with interest at the nadappu rate from the date of issue to the date of presentation. They also discount hundis and help in the transmission of moneys from one place to another. They also aid small industries such as cotton-ginning and rice-milling and the other minor cottage industries. They also lend money on the security and mortgage of goods and immovable properties, but this has been declining in recent times.

Interest.—The rate of interest charged by the Nattukottai Chettians is fixed every month in a meeting in the City of Madras. This is known as the current rate of interest. It varies in accordance with the demand of the money market. It varies from 6 to 12 per cent per annum. The rates at which they borrow vary from 8 to 11 per cent per annum. The rate of interest at which Chetti firms lend to the public ranges from 15 to 18 per cent on unsecured loans, 18 per cent being charged on small sums. The joint-stock banks charge interest at 2 per cent above the bank rate and generally grant loans on securities or on the joint signature of approved parties. Where such securities are offered, the indigenous bankers also charge lower rates of interest. The indigenous bankers do not insist on the payment of interest for every quarter as the joint-stock banks do, but they receive interest at intervals of a year from the agricultural borrowers. The landlords lending to agriculturists in their own villages charge between 15 and 18 per cent though such interest is sometimes payable in kind or produce. Even in the co-operative societies which apparently lend to the agriculturists at 9½ per cent per annum, the real and the effective rate of interest paid by the agriculturists is 12½ to 15 per cent per annum. Having regard to the risks attendant on loan transactions without securities, the establishment charges and the system of bonuses which the Chettians have to pay, the rate of interest charged by them cannot be said to be high. Yet there is a general belief current among the public that the Chettian firms charge very high rates of interest, which is not based on facts.

The working of co-operative societies has not been on the whole a blessing to the agriculturists for the indigenous bankers meet not only the direct needs of the agriculturists but also enable them to repay the loans borrowed from the co-operative societies. It is obvious therefore that the agriculturists will suffer if the services of the indigenous bankers are withdrawn. And hence it is the duty of the well wishers of the ryots and the agriculturists to find ways and means to improve the facilities available to indigenous bankers so that they might continue to do the useful work of financing the agriculturists. And in view of all the difficulties involved in the recovery, and on account of the fact that the debtors secrete their properties and resort to the system of benami conveyances and having regard to the heavy losses which they sometimes incur on account of bona fide losses in business of their customers, the rates of interest charged by them can never be said to be high. It would be a source of immense help to the indigenous bankers if the joint-stock banks place at their disposal all their cash balances and the Government securities which often lie idle in these banks serving no useful purpose. The exchange banks do not lend money to Chettians excepting the P. & O. Bank and the Chartered Bank.

Reserve bank.—It would be in the interests of the indigenous bankers if the reserve bank is brought into being. The reserve bank should offer the discounting facilities not only to the joint-stock banks but also to the indigenous bankers. Since a very large portion of the country's internal trade is still financed by the indigenous bankers, unless such facilities are offered to them, the problem of agricultural finance would not have been touched. The general public would be immensely benefited if a link is established between the indigenous bankers and the joint-stock banks, as was remarked by Sir Basil Blackett, in one of his speeches at Delhi to which reference has already been made. Sir Basil Blackett said "It would be desirable also if some method could be found, as for example, has been done in the American Banking system for linking up the small rural banks from below with the Imperial Bank system from above."

Land mortgage banks and title to properties.—The new land mortgage banks which have been created to function in this country for the purpose of granting long-term loans to the agriculturists can do their proper work only when the system of title to properties is made more easy. The present system of ascertaining titles of immovable properties by registered deeds is extremely defective. Very little facilities are afforded for ascertaining the exact liabilities on immovable properties. Moreover the registered documents do not disclose all the liabilities pertaining to immovable properties though a mortgagee or purchaser is bound by them. The present system of registration is extremely defective and wholly inadequate to meet the requirements of transactions relating to immovable properties. Loans cannot be raised very speedily on immovable properties for these reasons. And unless the system of titles to immovable properties is totally reformed, the land mortgage banks could not discharge their functions properly and effectively. In this respect, it will be well if the law regarding title to immovable properties and their transfers by way of leases, mortgages, or sales is brought on a line with the law obtaining in the Malay States which itself was originally copied from Australia. It will be considerably facilitating the material progress of this country and aid the trade conditions and banking facilities, if this system of registration of titles is also adopted in this country. When a mortgage is released or discharged, the discharge of the encumbrance must be made compulsorily registrable. A certificate or document of title can be issued by a special officer noting therein the name of the proprietor, the encumbrances in respect of the said property, the discharge of the encumbrances, alienations in regard to the said property, thus giving in one sheet of paper all particulars regarding the properties. The system of encumbrance certificate may be done away with.

Written evidence of M.Ry. T. S. ARI CHETTIYAR Avargal,
Mittadar and President, The Tiruppattur Lakshmi Vilasa
Nidhi, Limited, Tiruppattur, North Arcot district.

கிராம விவசாயிகளுக்கு, ரொக்க லேவாதேவி செய்யும் வர்த்தகர்கள், அவர்களுடைய பயிர்த்தொழில் சிலவுகளுக்காக, சொல்ப தொகைகளை மாதம் 1-க்கு 100-க்கு ரூ. 1 முதல் ரூ. 2 வரையில் வட்டி கொடுத்து, அவைகளை மாசூல் அறுவடையானமேல் அக்காலக் கிரயப்படிக்கு தானியமாகவும், ரொக்கமாகவும் வரப்பற்றிக்கொள்ளுகிறார்கள்.

சிலர் தொகை கொடுக்கும் காலத்திலேயே நிலத்திலுள்ள மாசூல் அறுவடை உத்தேசமாக அளவை எதிர்த்தோக்கி கால கிரயத்தை எதிர்பார்த்தாமல், தங்கள் வரப்பத்தை நோக்கி, ஒரு கிரயத்தை நிஷ்கரிஷை செய்து தொகை கொடுத்து அவைகளை நுகர்வனங்களாக அறுவடையான உடன் வரப்பற்றி கால கிரயப்படிக்கு விற்ற தாங்கள் வரப்பத்தை அடைகிறார்கள்.

இன்னும், மற்றும் சிலர் சுபாக காரியங்களுக்கு, நிலங்களை ஆதாரமாக போட்டுக்கொண்டு கடன்காரனால் கொடுக்கப்படும் சிறு சில துறைகளை அசலுக்கு வரவு வைத்துக்கொள்ளாமலும், கடன்காரனை உடனுக்குடன் தகாதா செய்து வசூல் செய்யாமல், நிலத்தின் கிரய மொத்தம் அதிகமாகும் காலம் வரையில் காத்திருந்து, பின் கோர்ட்டெழுவதாக வசூலித்து, விவசாயி அத்துடன் வம்சமே தினக்கூலிக்கு ஆளாய் செய்துவிடுகிறார்கள்.

மேற்கண்டபடி சில்லரையாக பயிர் தொழிலுக்கு கொடுத்துவரும் தொகைகளை கால வித்தியாசத்தினால் மாசூல் இல்லாமல் விவசாயி தவறிப் போவதில் ஷே கடன்சுளை தீயந்தனை வட்டிகளுடன் ஒருமிக்க நிலத்தை அடமானம் போட்டுக்கொண்டு அதிக கடனாக சுமத்திவருவதிலும் விவசாயி ரொம்பவும் தஷ்டம் அடைகிறான்.

வேறு காலமாக கூட்டுறவு பாங்குகள் ஏற்படுவதற்கு முன்னமேயே இருந்தவரும் நிதிகள் முதலாண் சுதேச லேவாதேவி கம்பெனிகளில் விவசாயிகள், வர்த்தகர்கள் இன்னும் இதர ஜனங்கள் பங்குக்காரர்களாக சேர்ந்து அப்போதைக்கப்போது தாங்கள் சிலவுகளுக்கு வேண்டிய காலங்களில், ஸ்தாவரம், பொன், வெள்ளி நகை, தக்க பொறுப்பான தபர்கள் ஜாமீன் பேரிதும், தொகைகள் மாதம் 1-க்கு 100-க்கு 8 அணு முதல் 0-14-7 வரையில் வட்டிக்கு எடுத்துக்கொண்டு அசல் தொகைகளை சில்லரையாக வட்டியுடன் செலுத்தி கடன்களை எளிதில் தீர்த்துக்கொண்டு அவர்கள் பலவிதங்களில் பலன்கள் அடைவதல்லாமல் எவ்வித கஷ்டங்களுக்கும், தஷ்டங்களுக்கும் இடமில்லாமல் அனுபவித்த வருகிறார்கள்.

ஆகையால் விவசாயிகளுக்கு, நிலங்களை விருத்தி செய்யவேண்டிய பல வகைகளுக்கும் சர்க்காரில் கொடுத்து வரும் நீடித்த காலக் கடன்கள் பல விதத்தில் அனுசூலமாய் இருந்து வருவதை, அவைகளுக்காக பிரத்தியேகமான பாங்குகள் ஏற்பாடு செய்து, வட்டி விதித்ததை மாதம் 1-க்கு 100-க்கு 6 அணு வீதம் குறைத்து பயிர் தொழிலுக்கு வேண்டிய தடவை முதல் அறுவடை ஆகும் வரையிலும் ஏற்படக்கூடிய சகலவித சிலவுகளுக்கும் கடலைக் காய், துவரை, கொள்ளு, கரும்பு முதலிய பயிர்களுக்கும், மூலதனம் கொடுத்து காப்பாற்றுவதில் தேசத்திற்கு பேர் உதவி செய்கிறதாக கருதப்படுகிறது.

மேற்கண்ட விஷயங்களுக்கே கூட்டுறவு கம்பெனிகள், தக்க மேல்விசாரணையுடன் அநேக சர்க்கில்கள் ஏற்படுத்தி பிரதி கிராமத்திலுள்ள விவசாயிகளை பங்குக்காரர்களாக சேர்த்து அவர்களுக்கு அப்போதைக்கப்போது பயிர் தொழில் சம்மந்தப்பட்டவைகளுக்கு தக்கப்படி கடன்கள் கொடுத்து சிறு சில துறைகளாக வசூலித்து வரத்துக்கு ஒருமுறை மேல் அதிகாரிகள், தணிக்கை விசாரணை முதலியது செய்தும் வரும்படியான பாங்குகளை ஏற்படுத்துவதிலும் இப்போதுள்ள இத்தேசத்தில் தீரா உதமையும், கஷ்டமும், வித்தை குறையும் ஒருவாறு நீங்கிவிடும் என்பதில் எவ்வளவும் சந்தேகமில்லை.

மேற்படி உட்பொது பங்குகளுக்கு அப்போதெக்கப்போது சர்க்கார் மூல நனம் தேவையான காலத்தில், பாங்கி வட்டிக்கு குறைவாகவே கொடுத்த, உதவி செய்த வரவேண்டியது அவசியமாய் இருக்கிறது.

தமிழ் விவசாயிகள் தாங்கள் வாங்கிய கடன்களை நிரூபி கொடுத்தவா, தெய்வாநிளமாய் கஷ்டம் ஏற்பட்டு மாகுல் இன்றி போகும் கெட்களுக்கு பாவிகள் அவர்களுக்கு, மறுமாகுல் கிடைக்கும் வகையில் வாய்தா கொடுத்த நிபந்தனை வட்டி இல்லாமலேயும், அல்லது வட்டி நீக்கி அசம்மட்டும் வருல் செய்யும் முறைமை அனுசரிப்பதும் அதிக உபகாரமாய் இருக்கும்.

சுமார் 80 வருஷகாலமாய் வேர் ஊன்றி தென் இந்தியாவில் பேர் உதவி யாய் இருந்து வரும் நிட்ஹி (Nidhis) நிலைநிறுத்தி அவைகளுக்கு வேண்டிய நிர்வாக தனிச்சட்டம் (Special Act) சென்னை ராஜதானிக்கு ஏற்படுத்தி உடனே அமுதுக்கு கொண்டுவருவது, கவர்ன்மெண்ட் பாராடைய முதற் கடமையென வற்புறுத்தி கேட்டுக்கொள்ளப்படுகிறது. வேறு சங்கங்கள், பாங்குகள் இருப்பினும் காரணமாகவே இந்தநிட்களை ஒழிக்காமல் அவைகளையும் சகோதரி பாவமாக ஸ்திரிப்படுத்தவேண்டியதல்லாமல் வேறு விதமாய் அபிப்பிராயப்படுக்கடாது.

(Translation.)

Merchants carrying on money-lending business give small amounts as loans to agriculturists in villages for expenses during cultivation and charge interest thereon at a rate ranging from one per cent to two per cent per mensem. They recover these amounts either in cash or in grains after harvest, estimating the value of the produce at its market price at that time.

Even at the time of giving loans, some persons estimate the probable outturn from the land and, relying upon it, give loans by fixing a certain price profitable to them without reference to the market price. They recover these amounts in the shape of grains as soon as they are harvested, sell them at the market price and make profit.

Some others lend money on the security of lands for auspicious and inauspicious ceremonies and, without crediting the amounts paid by the debtor in instalments towards the principal and without pressing him from time to time and recovering the loan, wait till the loan swells to such an extent that it comes up to the value of the land, then recover it through the Court and subject the agriculturist and his family to difficulties by making them earn daily wages thenceforth.

When, on account of the failure of crops due to changed conditions, the agriculturist makes default in repaying the small loans given for agricultural purposes as mentioned above, lands are mortgaged to the value of the total amount of the aforesaid loans and the penal interest and the amount of loans is thus swelled. The agriculturist incurs great loss on account of this as well.

Agriculturists, merchants and other people become share-holders in indigenous banking companies like nidhis, which have long been in existence even before the establishment of co-operative banks, and obtain loans from these institutions whenever they require money for their expenses, at a rate of interest ranging from 8 to 14 annas, 7 pies per cent per mensem on the mortgage of immovable properties and gold and silver jewels as well as on proper and reliable personal securities. They easily discharge the loan by repaying the principal in small instalments along with the interest and, without being subjected to any difficulties or losses, derive benefit in several ways.

In view of the several advantages derived from long-term loans granted by Government to agriculturists for meeting the various items of expenditure connected with the improvement of lands, the establishment of separate banks for granting these loans, the reduction of the rate of interest to six annas per cent per mensem and the protection rendered by the provision of capital for the various items of expenditure incurred during cultivation between the sowing and the harvesting of crops as well as for the cultivation of crops such as groundnut (?), red-gram, horse-gram and sugarcane, are considered to be greatly helpful to the country.

There is not the least doubt that, if co-operative companies are established for the above purposes in several circles under proper supervision, if the agriculturists of every village are enlisted as shareholders, if loans are properly granted to them from time to time for agricultural purposes and recovered in small instalments and if banks, wherein the higher authorities conduct audit, supervision and other items of work once a week, are established, the everlasting poverty, difficulties and lack of education, which are at present in evidence in this country, will, in a way, disappear.

It is essential that the Government should help these co-operative banks with capital, whenever required and charge interest thereon at a lesser rate than, that obtaining in banks.

Further, it would be greatly helpful, if, in cases where on account of the failure of crops due to unforeseen circumstances, agriculturists are unable to repay the loans taken by them, banks adopt the policy of extending the due date till the time of the next harvest and dispensing with the payment of penal interest or of recovering the principal alone without interest.

It is urged that it is the primary duty of the Government to place on a firm basis the *nidhis*, which have been in existence for the last 60 years and which have been of great help to the people of South India, and to enact and bring to force at once a special law relating to their administration for the Madras Presidency. These *nidhis* should not be got rid of simply on account of the existence of other societies and banks. Their position should, on the other hand, be equally strengthened. This alone should be the attitude of the authorities.

Written evidence of M.R.Ey. C. SAMUNDI GOUNDAN Avargal,
Chief Honorary Organizer of Panchayats, Nattarampalli,
North Arcot district.

I.—விவசாய சம்பந்தமான கடன் கிடைப்பதும், சீரிய கைத்தொழில் கருத்து கடன் கிடைப்பதற்கான கைதிகளும்.

கடன் எதற் காக.	யார் யாரிடமிருந்து.	வட்டி வீதம்.	ஷரா.
(a) விவசாய சிலவுகளுக் கு.	சிராமங்களின் சில்லரை வியாபாரிகளிடமிருந்தும், சில்லரை வேலாதேவிக்காரர்களிடமிருந்தும், டவுன்களில் மண்டி வர்த்தகம் செய்பவர்களிடமிருந்தும்.	ரூபாய் 1-க்கு 3 பை முதல் 6 பை வரையில்.	விளையும் தானியங்களை இவர்களுக்கு விற்பதென்னும் ஒப்பந்தத்தின் பேரில்.
(b) மூலதனச் சம்பந்தமான அபிவிருத்திகளுக்கும், சாசுவதமான அபிவிருத்திகளுக்கு ம்.	1. வேலாதேவியே தொழிலாகவுள்ள சாவுகாரர்களிடமிருந்து, 2. கோவாபரேடிப் பாங்குகளிலிருந்து, 3. வர்த்தகம், வேலாதேவி இரண்டும் செய்பவர்களிடமிருந்து.	1 ரூபாய் முதல் ரூ. 2 வரை. ரூ. 0-12-6 வீதம். ரூ. 1 முதல் ரூ. 2 வரை.	வட்டிக்கு வட்டியும் ஷரத்து வட்டியும் வசூலிப்பதில் சந்தி அதிகம். கெடுத்தவராதுகொடுக்கவேண்டும். விளையும் தானியங்களை விலவாசிகளைக் குறைத்தும் அளவு மோசப்படுத்தியும் வட்டிக்கே காணாபடி கணக்கிடப்படும்.
மழை பெய்யாமற்போவது, தீர்வை முதலிய விசேஷ தேவை.	6 மாத கடன்கார மரைக்காயர்கள். சாதாரண வியாபாரிகள்.	ரூபாய் 1-க்கு தான் 1-க்கு ஒரு பைசா. 1 ரூபாய்க்கு 3 மாதத்திற்கு 4 மானம்.	...
திடும்பிரவேசமாய் ஏற்படும் கால்நடை மாணம் வீட்டில்துக்கம், கவலைச்சால் முதலிய விவசாயகருவிகள் கெட்டுப் போதல், பெண்கள் ரூதுவாதல் பந்துக்களில் ஏற்படும் சுபாசபங்கள் போன்றன.	1. சில்லரை வியாபாரம், வேலாதேவிக்காரர்கள். 2. நகை கொதுவை வைத்து பணம் கொடுப்போர்கள். 3. மண்டி வியாபாரிகள். 4. மார்வாடிகள். 5. பள்ளவெட்டி மரைக்காயர் சாயபுகள்.	ரூபாய் 1-க்கு மாதம் 1-க்கு 6 பை. 6 பை முதல் 1 அணுவரை. 4 பை முதல் 6 பை வரை. ... மாதம் 1 அணு முதல் 4 அணுவரையில்.	விளையும் சரக்கு போடும் ஒப்பந்தம். நகையை வைத்துக் கொண்டு கடன் கொடுப்பதே வரடிகையாக உள்ளவர்கள். பொறுப்புள்ள பூஸ் திடயுள்ளவர்களுக்கு மாத்திரம். தீலம். வட்டியை முன்னாடிப் பாண்டு ஏழுகிக்கொள்வது.

கடன் வதற் காக,	யார் யாசிடமிருந்து.	வட்டி வீதம்.	ஷரா.
உணவு பொருள்கள்.	வர்த்தகர்களிடமிருந்து.	3 பை முதல் 6 பை வரை.	வாங்கும்போது மூட்டை 1-க்கு ரூபாய் 2 முதல் 4 வரையிலும் வைத்து கொடுக்கின்றான்.
நாட்டு துணிசேலை.	சந்தை கூட்டம் இவ்விவியாபாரிகளிடமிருந்து.	உருப்படி மேல் ரூபாய் 1-க்கு 4 அணவுக்கு குறை யாமல் விற்று 3 மாத வரையில் வரூல்.	வாபம் வைத்து ரூபாய் 1-க்கு 4 அணவுக்கு குறை யாமல் விற்று 3 மாத வரையில் வரூல்.
வியாபாரிகளுக்கும் வர்த்தகர்களுக்கும்.	லேவாதேவிக் காரர்கள். மார்வாடிகள், ஷேட்டுகள். உாட்டுகோட்டை செட்டிகள். ஷே கந்து கடை .. கந்து கடைகள் ..	ரூபாய் 1 முதல் ரூபாய் 8 வரை. ரூபாய் 1 முதல் ரூபாய் 2 வரை. ரூ. 1 முதல் ரூ. 2 வரை. ஷே. 1 ரூபாய்க்கு மாதம் 2 அணு முன் வட்டி.	3 முதல் 6 மாதத் தற்குள் வாயிதா. முன் வட்டி எடுத்து விடுதல் 3 மாத முதல் 6 மாத வரையில் வாயிதா. 10 மாத கத்து. ..

வட ஆற்காடு ஜில்லாவிலும் சேலம் ஜில்லாவிலும் வியவசாயிகளுக்கும்.

வட்டி வீதம்.	வாயிதா.	ஆதாரம்.	கிட்டல்கள்.	ஷரா.
8 அணு முதல் 10 அணு வரை.	5 முதல் 10 வரை.	திலம், மிட்டா பெருத்த பூஸ்திதி.	குறிப்பிட்ட தவணை வட்டி, வாயிதா தவணை இரட்டிப்பு வட்டியோ, அல்லது 1 ரூபாய்க்கு மேல் குறிப்பிடும் வட்டியோ.	5,000 க்கு மேல் கொண்ட லேவாதேவி.
12. அணு.	ஷே.	நல்லபூஸ்தி ஆதாரம்.	கோவாபரேடிஸ் பாங்கி, 1-0-8 வட்டி. வாயிதாப்பட்டி பிரதி வருஷம் வாயிதா தவணைமும் அசலும் வாயிதாவில் தராதவரினாலும் இரட்டிப்பு வட்டி அல்லது 1-க்கு 1½ வட்டி விதிதம்.	1,000 க்கு உள்பட லேவாதேவி. 500 முதல் 5,000 வரை.
ரூ. 12-6.	ஷே.	வீடு, திலம் ..	..	250 முதல் 1,000 வரை.
ரூ. 1.	1 வருஷம் முதல் 3 வசர.	வீடு, திலம், காலநடை.	..	25 முதல் 100 வரை.
ரூ. 1-4-0	ஷே.	ஷே.	..	..
ரூ. 1-8-0	ஷே.	ஷே.	..	..
ரூ. 2.	மகசூல் ஈடு கிடையாது.	..	..	..

விவசாயச் சம்பந்தமாகவே உதவிசெய்யவேண்டுமென நோக்கங்கொண்ட ஸ்தாபனங்களே கிடையாது. வட்டி சம்பாதிப்பதே முக்கிய நோக்கமாகக் கொண்ட கஷ்டதொழில் தந்தன் அபிப்பிராய ஆதாயங்களுக்குமற உகை யில் கடன் கொடுப்பதற்காக பெரும்பாலும் உள்ளவைகளாகும். கோவாப ரோஷன் உத்தியோக சண்டையும், கஷிபலமும், சுயதலமும் உடையனவே யொழிய விவசாயிகளைப்பற்றிய சம்பந்தம் வட்டி சம்பாதிக்கும் அவாவுடை தேயாகும். எங்கள் வட ஆற்காடு போன்ற க்ஷாமமே நிறந்தா ஆஸ்தியாகக் கொண்ட ஜில்லாவைப்பற்றின உரை வேண்டிய துகையை வரையறுப்பது மழையின் அளவைக்கொண்டேயாகும்.

இப்போதுள்ள முறைகளில் உள்ள குறைகளாவன :—

நீண்டகால வாவுகளுக்கு.

1. விவசாயிகளுக்கு தேவையான கடன்கள் சகாய வட்டிக்கு கிடைக்கும் ஸ்தாபனங்களும் மார்க்கமுயில்லாமலிருப்பது.

2. லேவாதேவிகாரர்கள் மனம்போனபடி வட்டி சம்பாதிக்கவும் அதனால் விவசாயிகள் திடுக்கிடவும் கூடியவாறு கோர்ட்டும் சட்ட அமைப்புகளுமிருப் பது.

3. கடன்பட்டவன் அனுவசிய சிலவுகள் செய்து கெடுவதை தடுக்க முடி யாமலிருப்பது.

4. மழை, விளைவ தட்டான ஒருஷங்களில் அவர்களின் நிலைமையை நே ரில் கடன் கொடுத்தவர்கள் விசாரித்து உண்மையறிந்து அவர்களை பாதுகாக்க வகையற்றிருப்பது.

5. கடன் கொடுத்தவன் ஆதார நிலங்களை சேர்த்துக்கொள்ள இட மிருப்பது.

நிவர்த்திப்பதற்குள்ள பரிகாரங்கள்.

ஒவ்வொரு ரயத்திற்கும் சில்லரை கடன் கொடுக்கும் விவசாயிகளின் தேவைக்கு ஸ்தாபனங்களும் (உடனுக்குடன்) சகாயவட்டிக்கு முன் கடன் கள் தீர்க்க நீண்ட தவணைக்கு சகாய வட்டிக்கு கடன் கொடுக்கவும், மழை யின்றி விளைவற்று பரிதாபிக்கும் க்ஷாமங்களில் ஆதரவளிக்க வகையும் உள்ள தாக.

2. இன்ன அளவுக்கு மேல் வட்டி வாங்கக்கூடாதென சட்டமூலம் நிபந் தனை ஏற்படுத்தல்.

3. கடன்பட்டவன் திரும்புரை விளைவில் இவ்வளவு பாகம் கடனுக்கு கொடுத்த ராவேண்டுமென சட்டமியற்றுவதும், அளவுக்கு மீறி, 'சப அசப ஆடம்பரங்களையும், குடிவகை சிலவுகளையும் தடுக்க மார்க்கங்களோற்படுத்து வதும்.

4. துர்ப்பிஷை காலங்களில் கடனுக்கு தீர்ப்பந்தப்படுத்தாது மறு விவசாய யத்திற்கு உதவியாக வகை செயல்விப்பது.

5. கடன் கொடுத்தவன் விளைபொருள்களை கொண்டு கடனை தீர்த்துக் கொள்ளவேண்டும். தவிர, சிலங்களைப் பெறக்கூடாதென சட்டமேற்படு தல்.

6. கிராமங்களில் ஒவ்வொருவரும் கட்டாயம் ஐக்கிய நாணய சங்கக் களின் மெம்பராக சேரவேண்டுமென நிபந்தனை ஏற்படுத்தி அவர்கள் வாரப் பிரதி இவ்வளவு வீதம் இவ்வளவு டிபாசிட் செய்தவரவேண்டுமெனவும் அந்த கிராமம் அந்த மூலதனத்தின் பேரிலேயே கிராமதேவைகளை உதவ வகை செயல்விப்பது.

7. விளைபொருள்களில் விசிறாசாரம் பண்டகசாலையில் சேர்ப்பிக்கச்செய்து தேவைக்கு பெற்று போகவும் மறுபடியும் வாரிசு செய்விக்கவும் நிபந்தனை களுண்டாக்குவது.

8. கிராமங்களின் தேவையானவைகளில் அங்கேயே உற்பத்தி செய்கக் கூடியவைகளை உற்பத்தி செய்விக்கவும், அவ்வுற்பத்தியிலேயே பெற வேண்டுமென்னும் கண்டிதமான நிபந்தனைகளுண்டாக்குவது.

9. சட்டமூலமான தீர்ப்புக்களினால் கட்டுப்படுத்திவருவாயிடுகின்ற இராஜாங்கங்கள் கீழ்க்கண்ட தலைசாய்த்த போரும் பிராய்டன்டு பண்டுகள், பெனஷன் துறைகள், வார்டு அற்ற சொத்துகளும், வியாபாரிய சொத்துகளும் பைசல் வரை கவர்ன்மென்ட் கடன் கொடுக்கும் தகையும் மதராஸ் பாங்கு போன்ற பெரிய வுதாபனங்களிலிருந்து, கிராம பாங்குகள் பணம் பெறவும் வகை ஏற்படுத்தல், எல்லாவித டிபான்ட்மென்டும், சேவிகல் பாங்கு துறைகளும் கூட இந்த வுதாபனங்களுக்கு உற்று சேரவேண்டும்.

எங்கள் இல்லாவில் உற்பத்தியாகும் மகனூல்கள் வியாபாரிகளாலும் லேவா தேவிக்காரர்களாலும் எடுத்துக்கொள்ளப்பட்டு இருப்பாகவைத்து விற்கும் உடனுக்குடனும், மொத்த வியாபாரிகளுக்கு கமிஷன் மண்டிகளால் விற்கப்பட்டு ஏற்றுமதி செய்யப்படுகின்றன.

மிவிடரி, ஜெயில், ரைஸ் ஸ்டோர்ஸ், கம்பனிகள் இன்னும் கவர்ன்மென்ட் தேவை, இவைகளுக்கும் மணிலா, ஆமணக்க போன்றவைகளுக்கும் ஏற்று மதி கம்பெனிகளிடமும் காலவிடைப்படி பெறுவதாக ஒப்பந்த சேற்படுத்திக் கொண்டு அதற்கு சம்மதிக்கும் கூட்டுறவாளர்களின் உதவதற்கு நேராக விற்பனைக்கு கொடுக்க ஏற்பாடு செய்தால் நடைபெறும்.

இப்பொழுது முன்பணம் கொடுத்தவனிடமே பெரும்பாலும் விளாபா ருள்கள் போய் சேருகின்றன. சிறிது பாகம் தனிவியாபாரிகளின் பணம் பெற்று விற்கப்படுகின்றன. வேண்டிய பணத்தை எடுத்த பாகங்களிலிரு ந்து சரக்கு ஈட்டின்மேல் பெறவேண்டும் அல்லது ஒப்பந்தக்காரர்களிடமிரு ந்து பெறவேண்டும்.

உள்ளாட்டு ஒப்பந்தம், வெளிநாட்டு ஒப்பந்தம் இரண்டும் திரை தன்மை யானவைதான்.

வியாபாரிகளுக்கு எல்லா வகையிலும் உதவியும் திடைக்கிறது.

பணம் அனுப்ப இப்போது போஸ்டல் இன்ஷூரன்ஸ், உண்டியல்களும் உண்டு.

பஞ்சை சராசரி மதிப்பு.

பஞ்சை தரம் நஞ்சை சுமார் 300 ரூபாய் முதல் 600 ரூபாய் வரையிலும் பஞ்சை சுமார் 25 ரூபாய் முதல் 250 ரூபாய் வரையிலும் மதிப்பு இருந்து வருகிறது.

சர்க்கார தீர்வைக்கு எலம் அநேகமாய் நடைபெறுவதில்லை.

கடனுக்கு எலம் நடப்பதாயிருந்தால் சுமார் 100-க்கு 20 ரூபாய் குறைவாகவும் கடனுக்கு விற்பனை செய்தால் 100-க்கு 10 ரூபாய் குறைவாகவும் நடக்கிறது.

ஜமீன் தார் எலம் எவ்வளவு நிலமாயினும் எவ்வளவு குறைந்த தொகைக் கும் எலமாய் விடுகிறது காரணம் அதிலிருந்தே அறியலாம்.

சாவுகாரர்கள் நிலத்தை அபகரிக்க கட்டுப்பாடு செய்துகொண்டு வேறு யாரையும் வாங்கவிடாமல் தடுப்பதும் விவசாயிகள் வாங்க வசதியற்றிருப்ப தும் இவர்களுக்கு கடன் கிடைக்க விடாமல் தடுப்பதும் சில சமயங்களில் நிலங் களின் மதிப்புப்படி விற்பனையாக விடாது மதிக்கின்றன.

நஞ்சை சராசரி மதிப்பு.

நஞ்சை கால்வாய் பாசனம் சுமார் 300 ரூபாய் முதல் 2,400 ரூபாய் வரையிலும் ஏரிபாசனம் நஞ்சை சுமார் 300 ரூபாய் முதல் 1,500 ரூபாய் வரையிலும் களர் நஞ்சை சுமார் 100 முதல் 1,000 ரூபாய் வரையிலும் மதிப்பு இரு ந்து வருகிறது.

மற்றவிடம் மேற்சொன்னபடியே இருக்கிறது.

திலங்களை அடமானம் செய்வதற்கு தடையொன்றுமில்லை. தில அடமான பாங்கிகள் இல்லை. ஐக்கி சங்கங்கள் இருக்கின்றன.-

அவைகள் ஜில்லா பாங்கியிலும், ஜில்லா பாங்கிகள் மத்திய பாங்கிலும் டிபாசிட்டென் மூலமும் கடன்கள் மூலமும் பணம் பெறுகின்றன. அவைகள் எங்கும் சிப்பந்திகள் நியமனத்திலும் உத்தியோகங்கள் பெற செய்வதிலும் தங்கள் தங்கள் ராஜ்ய கட்டுகளை வலுபடுத்துவதிலும் அதற் கிடையாக தெரிபவர்களுக்கும் அச்சங்களையும் தலைப்பதிலும் ஆபத்துக்களை உண்டு பண்ணுவதிலும் முனைந்து தீர்கின்றன. ஐக்கிய இலாகாவின் சேவை முறையில் பெரும்பாகம் இதுதான். (சர்க்கார் மேல் அதிகாரிகள் தவிர.)

கிராமங்களில் சிறிய பாங்குகளாக இல்லாமல் சில கிராமங்களுக்காக ஒரு சில்லரை கடன்கொடுக்கும் பாங்குகள் தேவைக்கு உடனுக்குடன் கடன்கொடுக்கக்கூடிய மாநிலியிலும் மகசூல்களை பெறவும் உள்ளனவாய் ஏற்படல் வேண்டும்.

அங்கங்கு தில அடமானக் கடன் நீண்டகால தவணைகளுக்கு கடன்கொடுக்கக் கூடியதாகவும் அமைக்கப்படல் வேண்டும்.

கடனை சரிவர செலுத்தாதவரை சொத்துக்களை சுவாதினப் படுத்திக் கொண்டு வருமானங்களைக்கொண்டு கடனை ஈடுசெய்து கொள்ளவும் அதவும் முடியாதவரை தாங்களை பொறுப்புள்ள விஷயக்கு விற்றனை செய்து கடனை ஈட்டைத்துக் கொள்ளவும் அனுசூலமிருக்க செய்துவிடவேண்டும்.

தில அடமான பாங்குகள் விஷயமாய் டிபாஸிட்டென்கொண்டும் மத்திய ஸ்தாபனத்தின் பணத்தைக்கொண்டும் டிபென்சர் பாண்டு என்னும் கடன் பத்திரங்களைக் கொண்டும் தான் பணம் சேகரிக்கவேண்டும் கவர்ன்மென்ட் டார் உத்திரவாதம் வேண்டியதேயாகும்.

கவர்ன்மென்டிற்ரு அனாவசியமான நஷ்டம் ஏற்படாது பாதகாக்க அங்கங்கு நிலமதிப்பை நிச்சயப்படுத்திக்கொண்டு அதில் 3ல் 2 பங்குக்கு மேற்போகாமல் கடன்கொடுக்கக் கூடுமானால் நஷ்டம் ஏற்பட இடமிராது.

நீண்டதவணைக்கு கவர்ன்மென்ட் கடன் பெறுகிற கண்டிஷன்படிக்கே வருமானவரி நீக்கி கடன் பெறவேண்டும். (100-க்கு 6 வட்டிக்குமேல் போகாமல்.)

கடன் திரும்பி செலுத்த தவறுபவர்களின் திலங்களை ஸ்வாதினப்படுத்திக்கொண்டு உள் ருத்தனைக்கு விட்டு வசூலசெய்து வரவேண்டும். (100-க்கு 7 வட்டிக்குமேல் போகாமல்.)

100-க்கு 9 அல்லது 10 வட்டிக்குமேல் யாரும் வவருக்கும் எக்காரணத்தை முன்னிட்டும் கடன்கொடுக்கக் கூடாதென்றும் வேலாதேவி செய்பவர்கள் லைசென்ஸ் பெற்றே வேலாதேவி செய்யவேண்டுமென்றும் அதிக வட்டி வரங்கியதாக ஏற்படுபவர்கள் பரிமுதலுக்கும் தண்டனைக்கும் உள்ளாக வேண்டுமென்றும் 1,000 ரூபாய் வேலாதேவி செயல்வர்கள் 200 ரூபாய்க்கு குறையாமல் டிபென்சர் பத்திரங்கள் பெறவேண்டுமென நிபந்தனைகளேற்படுத்துவது, கந்து, தலைவாசி, தள்ளுவளி ஷரத்த உட்டி இவைகளை ஒழிப்பது ஐயின்களிலும் மிட்டாக்களிலும் மைனர் எஸ்டேட்டெனிலும் மிகுதிப்பதும் பணத்தைக்கொண்டு டிபென்சர் வாங்க செயல்விப்பதும், விவசாயிகளை கட்டாய மொயர்களாக்கி அவர்கள் விளைவுகளில் குறிப்பிட்ட அளவு இந்த பாங்குகளில் டிபாஸிட்டாக சட்டிவர திரிப்பதத மேற்படுத்துவதும் நீண்டகாலக் கடன் போதுமானமட்டில் பெற அனுசூலமாகும்.

இப்போது விவசாயிகள் 100-க்கு 90 பேர் கடன்பட்டவர்களே. கடனை தனி சென்ஸஸ் எடுத்தாலொழிய நிச்சயிப்பது முடியாதகாரியம்.

(Translation.)

Agricultural credit and credit facilities for small industries.

Purpose of loan.	From whom received.	Rate of interest.	Remarks.
(a) For agricultural expenses.	Petty merchants and petty money-lenders in villages and merchants doing <i>mundy</i> business in towns.	From 3 pies to 6 pies per rupee.	On condition that the grains grown should be sold to them.
(b) For capital improvements and permanent improvements.	1. Sowars who are professional money-lenders. 2. Co-operative banks. 3. Those who are carrying on both trade and money-lending business.	From Re. 1 to Rs. 2. At As. 12-6 .. From Re. 1 to Rs. 2.	Compound interest and* stipulated interest collected. Discount excessive in this connexion. Should be repaid on the due date without fail. The grains grown will be valued at such a low price and their quantity measured so fraudulently that the value thus computed will hardly be enough even for the payment of interest.
For special needs such as failure of monsoon and payment of land revenue.	Marakkayars who give loans for six months. Ordinary merchants	One pie per rupee per day. 4 <i>manams</i> per rupee for three months.	....
For [expenses in connexion with] the sudden death of cattle, domestic calamities, repairs to agricultural implements such as the leather bag for drawing water, the attainment of puberty by girls and auspicious and inauspicious ceremonies among relations.	1. Petty merchants and money-lenders. 2. Persons who lend money on the pledge of jewels. 3. Merchants doing <i>mundy</i> business. 4. Marwaris 5. Pallavetti 6. Marakkayar Sahibs.	6 pies per rupee per mensem. From 6 pies to 1 anna. From 4 pies to 6 pies. .. From one anna to 4 annas per mensem.	On condition of supplying the produce grown. These are persons whose practice is to lend money only on the pledge of jewels. Given only to persons owning valuable landed properties. Land. On the extinction of a bond, the interest [being deducted] in advance.
For [purchase of] food-stuffs.	Merchants	From 3 pies to 6 pies.	They make a profit of Rs. 2 to Rs. 4 per bag at the time of sale.
For [purchase of] indigenous cloth and sarees.	Cloth merchants in fairs.	Sell at a profit of not less than 4 annas per rupee on each item.	Recovered in three months.

* Probably, 'penal interest'.

Purpose of loan.	From whom received.	Rate of interest.	Remarks.
For merchants and traders.	Money-lenders .. Marwaris and Saits. Na'tukkottai Chettis. The aforesaid discount firm. Discount firms ..	From Re. 1 to Rs. 3. From Re. 1 to Rs. 2. From Re. 1 to Rs. 2. .. Advance interest of 2 annas per rupee per mensem.	Repayable from three to six months. Interest deducted in advance. Repayable from three to six months. Ten months' discount.

For agriculturists in the North Arcot and Salem districts.

Rate of interest.	Period of repayment.	Security.	Conditions.	Remarks.
RS. A. P.				
From 8 annas to 10 annas.	From 5 to 10.	Land, Mitta, extensive landed property.	{ The specified rate of interest until the due date. If not paid on the due date, double the rate of interest or the interest that may be fixed above Re. 1.	For transactions over Rs. 5,000.
0 12 0	Do.	Good landed property.		
0 12 6	Do.	House and land.	Co-operative Bank interest Rs. 1-0-8.	For transactions below Rs. 1,000.
1 0 0	From 1 to 3 years.	House, land and cattle.	{ If interest is not paid every year on the due date and if principal also is not repaid on the due date, double the rate of interest, or 1½ times the rate of interest.	From Rupees 500 to Rs. 5,000.
1 4 0	Do.	Do.		From Rupees 250 to Rs. 1,000.
1 8 0	Do.	Do.		From Rs. 25 to Rs. 100.
2 0 0	..	..		..

Produce is not given as security.

There are no institutions at all whose object is to render assistance solely for agriculture. The present institutions are mainly intent upon earning interest and they mostly lend money in times of difficulties in such a manner as would enable them to earn profit as they desire. Scramble for office, party strife and selfishness are much in evidence in co-operative institutions, which are only anxious to earn interest as far as agriculturists are concerned. The amount, that may be required as far as a perpetually famine-stricken district like our North Arcot district is concerned, can be determined only with reference to the amount of rain.

The defects in the present systems are:—

1. The absence of institutions and means for the grant of long-term loans required by agriculturists at a low rate of interest.

2. The existence of courts and laws, which permit money-lenders to earn interest as they please and in such a manner as to ruin the agriculturists.

3. The absence of any means to prevent the debtor from becoming ruined by incurring unnecessary expenses.

4. The failure on the part of creditors to enquire in person, and ascertain the truth regarding the position of their debtors during years of failure of monsoon and crops and their inability to protect them.

5. The existence of provision enabling the creditor to take possession of the lands which are furnished as security.

The remedies for the removal of these defects are:—

1. The establishment of institutions for granting small loans to every agriculturist for meeting his requirements (promptly), and long-term loans at a low rate of interest for the discharge of old debts and the provision of means for affording protection to the agriculturists who are in distress in times of famine on account of the failure of monsoon and crops.

2. The enactment of a law providing that interest should not be charged beyond a certain rate.

3. The enactment of a law requiring the debtor to give a certain portion of his produce towards the debt till the same is discharged and the provision of means for checking extravagant expenditure on auspicious and inauspicious ceremonies and also the expenditure on drink, etc.

4. The non-enforcement of the repayment of loans in times of famine and the provision of facilities for the next cultivation.

5. The enactment of a law requiring the creditor to get the loan given by him cleared by means of produce and prohibiting him from taking possession of the land.

6. The laying down of a condition making it obligatory on the part of every one in the villages to become a member of co-operative credit societies and deposit a certain amount every week and the provision of facilities for the needs of villages being met from that capital alone.

7. The making of provisions for the storage of produce in granaries proportionately, for the receipt of the quantity required and for the return of the balance.

8. The making of stringent provisions requiring that such of the articles as are required for a village and as can be produced in that village should be produced there alone and that they should be obtained only through such production.

9. Unless restrictions are imposed by means of statutory provisions, kingdoms will go to ruin and disappear. . . . Facilities should be afforded to village banks to obtain money from such big institutions as the Madras Bank. These institutions should get all kinds of deposits and also the amounts invested in savings banks.

The produce grown in our district is taken away by merchants and money-lenders, who stock and sell it thereafter or sell it immediately, and this is sold by *mundis* doing commission business to wholesale merchants who export it to other countries.

It would be well if an agreement is entered into with export companies for the purchase, at market price, of produce like groundnut and castor oil seeds for meeting the needs of the Military, Jail and other departments of Government, the Railway stores and companies and if arrangements are made for the direct sale of the produce belonging to the co-operators who agree to this.

At present, the produce grown goes mostly into the hands of those that have advanced money. A small portion of the produce is sold on receipt of money from individual merchants. The money required should be obtained from † *major portions* on the security of goods or from contractors.

*Unintelligible.

†Apparently a mistake for 'big banks'.

Both internal contract and foreign contract are indeed of the same nature.

Help is also available to merchants in all ways.

Postal insurance is at present the only means for the remittance of money. There is also the hundi system.

The average value of dry land.

The value of land classified as dry but cultivated with wet crops is from about Rs. 300 to Rs. 600 and that of dry land from about Rs. 25 to Rs. 250.

Lands are not generally auctioned for the non-payment of revenue due to Government.

Lands sell at about 20 per cent less than their real value if auctioned for the discharge of debts and at 10 per cent less if sold for the same reason.

Any extent of land is sold away for any low price in the auctions conducted by zamindars. The reason is self-evident.

Sowcars join together and, with a view to usurp the land, prevent others from buying it; agriculturists are unable to purchase it and they are also prevented from securing the necessary loan. These at times stand in the way of the land being sold for its estimated value.

The average value of wet land.

The value of wet land irrigated by channels is from about Rs. 300 to Rs. 2,400, that of wet land irrigated by tanks is from about Rs. 300 to Rs. 1,500 and that of brackish wet land is from about Rs. 100 to Rs. 1,000.

The other particulars are only as stated above.

There is no impediment to mortgage of lands. There are no land mortgage banks. But there are co-operative societies.

These societies obtain money from district banks which obtain the same from the central bank and also by means of deposits and loans. They are everywhere bent upon appointing the staff, securing appointments (for their men), strengthening their respective political parties, getting rid of persons and causes of fear, that appear to be an obstacle thereto, and causing dangers. This, indeed, forms the major portion of the work of the co-operative department (excluding the higher officials of the Government).

Instead of establishing small banks in villages, banks, which would grant petty loans as soon as they are required and receive the produce, should be established for certain villages.

Land mortgage (banks) which can grant long-term loans, should be established in different places.

Facilities should be afforded (to creditors) for taking possession of the property and discharging the loan from the income thereof if the loan is not properly discharged and, if even that is not possible, for selling the property for a proper price and discharging the loan themselves.

The capital required for land mortgage banks should be raised only by means of deposits, funds from the central institution and debenture bonds. The guarantee of the Government is indeed essential.

In order to secure the Government against unnecessary loss, the value of lands in different places should be ascertained and loans not exceeding two-thirds of this value granted. If this is done, there will be no room for loss.

Long-term loans should be obtained on exactly the same conditions as are imposed in the case of Government loans and these should be exempted from the payment of income-tax (the rate of interest should not exceed 6 per cent).

Lands belonging to those that fail to repay the loan should be taken possession of and sublet and dues adjusted (the rate of interest should not exceed 7 per cent).

The securing of long-term loans to a sufficient extent will be facilitated, if it is provided that no one should, for any reason, lend money to any one at a rate of interest exceeding 9 or 10 per cent, that money-lenders should carry on their profession only after obtaining a licence, that those, who are found to have charged a high rate of interest, would be liable to forfeiture and punishment and that those who carry on money-lending transactions to the extent of Rs. 1,000 should buy debenture bonds for not less than Rs. 200, if discount,* . . . and † *stipulated interest* are got rid of, if arrangements are made for the purchase of debentures with the surplus money available in zamins, mittas and minors' estates and if it is made obligatory on the part of agriculturists to become members and to deposit in these banks a specified quantity of their produce.

Ninety per cent of the agriculturists are indeed indebted at present. It is not possible to determine the amount of debt unless a separate census is taken.

* Unintelligible.

† Apparently a mistake for 'big banks'.

Written evidence of M.Ry. V. MUKUNTHA RANGA DOSS
Avargal, President, Vachakarapatti Co-operative Union.

I. விவசாயசம்பந்தமாய் கடன் கிடைப்பதும் சிறிய கைத்தொழில்களுக்கு கடன் கிடைப்பதற்கான வசதிகளும்.

1. முக்கிய பட்டணங்களிலுள்ள சாவுதாரர்களிடத்திலும் வட்டக் கடைகளிலும் வாங்கப்பட்டு வருகிறது. சில சமயங்களில் விவசாய சிலவுகளுக்கு பொருள்மூலமாயும் பெறப்பட்டு வருகிறது.

வட்டி ரேட் சாதாரண காலங்களில் 12% ம் விசேஷ காலங்களில் 24%-ம் ஒரு வருஷ வாயிதாவுக்கே வாங்கப்பட்டுவருகிறது. வாங்கும் கடன்களுக்கு புரோதோட் ஆதாரத்தின் பேரிலும் ஸ்தாவரசொத்து அடமானத்தின் பேரிலும் நகை ஈட்டின் பேரிலும் விவசாய சிலவு சம்பந்தப்பட்டமட்டில் மாகூல் ஈட்டின் பேரிலும் வாங்கப்பட்டுவருகிறது. எழுத்தில் ஒரு வருஷ வாயிதா விருப்பினும் பொதுவாய் வட்டி வசூல் செய்வதிலேயே நோக்கமுடையார் மாகூல் காலங்களில் களங்களுக்குப் போய் பூரா மாகூலோ அல்லது சிலபாகங்களுக்கோ குறைந்தரேட்டுக்கு கைப்பற்றுக்கொள்ளுனர். இதனால் சிலசமயங்களில் நிலச்சுவான்தாரர்கள் எவ்வித பயனையும் அடையாது பின்வாய்தாலிற்று மறுபடியும் கடன்பட்டு நாளாரம்பத்தில் அதிக கடனுக்கு உள்ளாகி தனக்கு பாத்தியப்பட்ட நிலத்தையே விற்ற திரிப்பந்தப்படுகின்றனர். பின் ஜீவனத்திற்கு வழியில்லாமல் பெருந்த விவசாயிகளிடம் வேலைக்கு அமர்ந்து தன் வாழ்நாட்களை கடந்தவிர நேரிடுகிறது.

கவர்ன்மென்ட், இம்பீரியல் பாங்கு, கூட்டுறவு சங்கங்கள், இவைகளால் சொற்ப வட்டிக்கு விவசாயிக்கு தனக்குவேண்டிய அளவை தன் பொருளாதார நிலைமையை நன்கு மதிப்புப்போட்டு எந்த விவசாயி தன் மட்டுக்கு மிஞ்சி கடன் கேட்கிறானோ அவ்வமயம் கடன் தகையை குறைத்தும் கொடுக்கப்பட்டு வருகிறது. மேலும் திருப்பிக்கொடுக்கும் காலம், ஸ்தாபனத்திற்கும், விவசாயிக்கும் பாதகமில்லாமல் ஏற்படுத்தப்படுகிறது. விவசாய காலங்களில் விவசாயத்திற்கு வேண்டிய விவசாய சாமான்களோ விவசாய கருவிகளோ உறங்கலோ இன்னும் விவசாயத்துக்கு சாதகமான மார்க்கங்களையும் சொல் விசுவசுதாரர்களைப் போலல்லாமல் விவசாயியின் முன்னேற்றத்திற்கே பாடுபட்டு வரப்படுகிறது. மாகூல் அறுவகையானதும் மாகூலை தானே பெற்றும் அவசர சிலவுகளுக்கு 100-க்கு 75 வீதம் மதிப்பைக்கொடுத்தும் விவசாயியின் அவசர சிலவுகளை மீட்கப்பட்டுவருகிறது. மாகூல்களை நல்ல விற்பனை சமயம் பார்த்து லாபகரமாய் விற்கும் விவசாயியின் முன்னேற்றத்திலேயே நோக்கமாயிருந்து வருகிறது.

இராமநாதபுரம் ஜில்லா சம்பந்தப்பட்டமட்டில் சுமார் லக்ஷ ரூபாய் வேண்டியதிருக்கும். அதில் விவசாய சிலவுக்கு கால் பாகமும், முன் கடன் தீர்க்க அரை பாகமும் இன்னும் மற்ற சிலவுக்கு கால்பாகமும் வேண்டியிருக்கும்.

இப்பொழுது கூட்டுறவு இயக்கம் நடந்தேறிவருவதில் பல இடையூறுகள் இருக்கின்றன. சில சங்கங்களிலே இப்பொழுது அமுலிலிருந்துவரும் விதிகளும் டிபார்ட்மெண்டார்கள் கட்டுப்பாடும் விவசாயிகளின் துயரத்தை தணித்ததாய் இல்லை.

பொதுவாய் விவசாயிகள் பல காலம் தொட்டு கடன்பட்டு வந்ததில் ஐக்கிய சங்கம் ஸ்தாபனமானவுடன் ஷே யார்களின் கடனைபோக்க இயலாததாயிருக்கிறது. பொதுவாய் வேறு சம்சாரிக்கு 500 விருத்த 1,000 ரூபாய் வரை தான் கடனபட்டுவாடா செய்யப்பட்டுவருகிறது. இதகாலும் ஷே துகைக்கும்

நீண்டவாழிதர கொடுத்துவதும் இப்பால் தவணையை வரலுத்தக்கு கட பெப் படுத்தவருகிறார்கள். இதனால் விவசாயிகளுக்கு எவ்வித தன்மையுமில்லாமல் சாவுகார்களின் வலையில் மறுபடியும் சிக்கி இருதலைக்கொள்ளிப்பால் இண்டாடவேண்டியதிருக்கிறது. நில அடமான பாகுபே விவசாயிகளுக்கு சாதகமானது. நில அடமான ஸ்தாபனத்தின்மீன் விவசாயி வெளியிடகையில் கடகடபாது தனக்குவேண்டிய அளவை பூராவும் சங்கத்திலேயே பெற்றுக்கொள்ளவேண்டும் சகைங்களும் விவசாயியின் வருமானத்திற்குத் தகவடி திருப்பிக்கொடுக்கும் காலத்தை நிர்ணயித்து விவசாயிக்கு எல்லாவித செனகரியம்கொடுத்து வரவேண்டும். இதனறி வேறு எவ்வித சாதனத்தாலும் விவசாயிகள் முன்னேற்றமடைய வேறுதவிலலை. ஐக்கிய இயக்கத்தைப்போன்ற சகோதர இயக்கம் (விவசாயம், கால்நடை) முதலியவைகளும் விவசாயிகளுக்கு வேண்டிய ஒரு விதை, கலப்பை முதலியவைகளை சப்ளைசெய்தும் விவசாயியின் அகசியத்தை இம்முன்று இயக்கமே மேற்பார்த்துவந்தால் விவசாயிகள் செழிப்படைவார்கள், ஸ்ராமம் செழித்தோங்கும், தேசம் முன்னேற்றமடையும். பருவமும் தக்கதாய் விவசாயிகளின் துணைக்கும் வரவேண்டும்.

(Translation.)

I.--Agricultural credit and credit facilities for small industries.

1 Finance is obtained from sowcars and money-lending firms in important towns. It is sometimes obtained for agricultural expenses in the shape of things as well.

The rate of interest charged on loans, which are given only for one year, is 12 per cent at ordinary times and 24 per cent at other times. Loans are obtained on the security of promissory notes, on the mortgage of immovable properties and on the pledge of jewels. But loans, which are taken for agricultural expenses, are obtained on the security of the produce. Though the period of repayment is fixed in writing as one year, those who are generally keen on the collection of interest go to the threshing floor at harvest time and take possession of either the whole produce or a portion thereof at a low price. On account of this, landholders at times derive no benefit whatever, but are obliged to go in for a loan again for the payment of the next instalment of kist. Thus, they become heavily involved in debt in course of time and are even driven to the necessity of selling away the land belonging to them. Having no other means of livelihood, they are then obliged to accept service under big agriculturists and thus spend their life.

The Government, the Imperial Bank and co-operative societies grant loans to agriculturists to the extent they require at a low rate of interest, with due regard to their financial position. Whenever an agriculturist asks for a loan beyond his means of repayment, a smaller loan is granted to him. Further, the period of repayment is fixed without prejudice either to these institutions or to agriculturists. Unlike sowcars, these (co-operative) institutions are striving solely for the advancement of agriculturists by offering advice to them at cultivation time in respect of articles, implements and manures required for agricultural purposes and by suggesting other means which are conducive to the promotion of agriculture. They themselves take possession of the produce after harvest and advance money to agriculturists at the rate of 75 per cent. of the value thereof for enabling them to meet urgent items of expenditure. The produce is sold for a profitable price at the proper time and the advancement of the agriculturist is always kept in view.

A sum of about one lakh of rupees will be required as far as the Ramnad district is concerned. One-fourth of this amount will be required for agricultural expenses, one-half for the discharge of old debts and the remaining one-fourth for other expenses.

There are at present several obstacles to the working of the co-operative movement. In the case of certain societies, the rules which are in force at present and the restrictions imposed by the department are not calculated to redress the grievances of agriculturists.

As agriculturists have for a long time been involved in debt, it has not been possible for co-operative societies to discharge the debt of these agriculturists soon after their establishment. Only a loan ranging from Rs. 500 to Rs. 1,000 is generally granted to an agriculturist. Hitherto, these loans were being granted for a long period, but the period of repayment has now been fixed as five years. As a consequence of this, the agriculturists, without being benefited in any way, are obliged to become entangled again in the clutches of sowcars and to suffer between the frying pan and the fire. It is only the land mortgage bank that is beneficial to agriculturists. After the establishment of these banks, the period of repayment of loans by agriculturists should be fixed with reference to their income and all facilities afforded to them so that they may obtain the full amount of loans required by them from the societies alone and nowhere else. Agriculturists cannot attain progress by any other means than this. If departments such as the agricultural and veterinary departments, which are allied to the co-operative department, also supply manure, seeds, ploughs and other articles required for agriculturists and if these three departments supervise their needs, agriculturists and villages will prosper and the country will attain progress. Monsoons also should come in time to the rescue of agriculturists.

**Written evidence of the Secretary, the Egmore Benefit Society,
Vepery Post.**

1. This society just as much as other so-called indigenous banks but generally called midhis or funds lend moneys realized by deposits current, fixed, and savings on mortgage of immovable properties situate within the original civil jurisdiction of the High Court of Madras, on jewels, Government promissory-notes and bank shares to the extent of 75 per cent of the estimated value.

2. So far as we are aware no such financing directly either for agriculture, trade or industry is undertaken by any of the institutions working on lines similar to us. But loans are being granted on the securities mentioned in paragraph 1 which in many cases are utilized for trade, industry and agriculture.

3. A.B.C. This information may be had from the Registrar of Joint Stock Companies.

D. There is absolutely no relation between one fund and another and between funds and the Imperial Bank or other banks in the country save that current account is opened with them. As a matter of fact this society has current account with the Imperial Bank of India where large balances are allowed to remain while the bank, we regret to say, does not allow us any interest, although the other joint-stock banks allow interest.

4. The society does not deal in hundis nor allow cash credit. Sample of deposit receipts and promissory notes are herewith sent for your information.

5. The method of granting loans of this society is as follows:—

(1) Granting what are called regular loans in which the borrower of say Rs. 100 is required to pay 1 per cent of the loan every month for a period of 79 months or such period that the directors may fix having regard to the profit of the society when the monthly payment and profit amount to Rs. 100 in addition to the interest at $6\frac{1}{4}$ per cent per annum during such period.

(2) Special loans in which the borrower is required to pay monthly the accruing interest at 9 per cent per annum. If however he should pay any portion of the principal sum (one rupee or more) interest is charged only for the balance. Such loans on immovable properties are granted by way of simple mortgages or mortgages with possession in the discretion of the directors. The forms of mortgages are herewith sent.

*B. By means of subscription at the rate of Rs. 2-8-0 a share per month which are virtually saving deposit and by receiving deposits.

Current deposits are received at 4 per cent per annum and fixed deposits at 6 per cent. Savings deposits at such rate as works out at about 8 per cent per annum—vide paragraph .

6. The society is not granting loans contemplated in this question.

7. So far as we are aware there is no prejudice against societies working on lines similar to us. On the other hand societies of this kind are very popular as they enable poor and middle classes to save money by monthly subscriptions which bear interest at about 8 per cent per annum.

(2) In our view societies like this are not sufficiently protected in law as the courts seem to think that the charging of compound interest in monthly rests at a higher rate than the interest on the principal is not enforceable in law. The courts seem to think they are penal but for the proper working of such societies it is necessary to charge slightly higher rate on the interest payable every month in case of default having regard to the additional work imposed on the society by reason of such default.

Legal facility could be afforded to the societies of this kind by exempting them from stamp duty and registration charges and encumbrance certificate fees as allowed to co-operative societies. In fact the societies like this are considerably handicapped by reason of the exemption granted to co-operative banks which work on the same line as this society.

The dealing of this class of banks are conducted on very sound lines.

8. (1) If the exemption referred to in paragraph 7 is granted it would considerably enhance the utility of the institution inasmuch as the repayment of the loan is extended over a longer period of (70 months) than allowed under the co-operative societies and the interest, viz., $6\frac{1}{4}$ per cent charged on regular loans is considerably cheaper.

(2) The answer to this question is found in answer (11).

9. So far as this society is concerned the net return will be approximately 2 per cent.

10. On many occasions the society was not able to meet all demands for loans owing to the insufficiency of funds. It had to approach the Imperial Bank for overdrafts which it refused to give although the society had paid-up capital exceeding Rupees six lakhs, the investments of which are on sound securities.

11. We would suggest the desirability of a central reserve bank with which the indigenous bank may be connected so that the central bank may accommodate in time of need and be utilized as the bankers' bank for the indigenous banks depositing all their collections on which a small percentage of interest may be paid.

In this connexion, we may point out that this society had large cash balances which it could not utilize for a considerable length of time and in such cases the central reserve bank may well utilize such balances allowing overdrafts for other societies working on the same lines as ourselves.

To inspire the confidence of the indigenous bankers we recommend the utilization of the local knowledge and experience of the indigenous bankers by taking as directors representatives from the indigenous banks of certain standing.

The competition can be avoided by the reserve bank lending sums of Rs. 10,000 and upwards only.

**Written evidence of M.R. Ry. C. S. S. RAMANUJAM Avargal,
Ex-Assistant Cashier, Central Bank of India, Triplicane,
Madras.**

State bank of India.

Taking from the top I think that if a reserve bank or State bank is floated with the object of rendering help to other indigenous banks, will go a long way in solving many a difficult problem. The function of this reserve or State bank should be—

- (a) to safeguard the interest of the indigenous banks,
- (b) to stipulate the bank rate of interest,
- (c) to control currency and issue notes (including gold currency), and
- (d) to appoint independent auditors to audit other banks in detail once in three months.

The aim of the reserve or State bank should not be one of making huge profit or to compete with other banks but should be as bankers' bank.

All the banks should deposit their reserve fund with them instead of in G.P. notes or gilt edged securities as they do now, for those securities are the cause of huge loss to many banks owing to their fluctuating tendency.

The current account in the State bank should carry no interest and their fixed deposit interest should not exceed 3 per cent. Their advances to other banks should not be more than 4 per cent which in turn will help the other banks to invest these sums at not more than 6 per cent.

A gold currency is necessary to India in order to manipulate its own exchange and this will go a long way to solve the exchange difficulty in India and also facilitate the bullion business which is a monopoly of foreign banks.

Railways and Government treasuries should deposit their surplus money with the reserve bank. So much so the State bank should combine in itself the currency, Government treasury, public debt office and the function of bankers' bank.

Federal bank of India.

2. Now coming to the indigenous bank I venture to submit certain observations which strike me as good for India. There are several banks in one city and every one of them stands to loose in their competition with each other. For instance, a borrower borrows money in more than one bank without their inter-knowledge and when he comes to trouble, all the banks suffer only in proportion. So I think if all the indigenous banks including Imperial Bank were to amalgamate themselves as a federal bank they will certainly be in a position to open branches in all district towns throughout the Presidency as well as India and their borrowing and lending capacity will be increased to a great extent. Their risk will be minimised with proper handling and the supervision of the State bank will help them to a great deal.

The function of the federal bank should be—

- (a) to discount bona fide trade bills not exceeding ninety days,
- (b) .. bills of exchange,
- (c) .. give loans on approved securities,
- (d) .. joint signatures not exceeding sixty days,
- (e) .. allow clean cash credits or overdrafts only to very respectable persons, very rarely and not exceeding 30 days,

(f) to give loans for small bona fide traders on the deposit of their house title deeds as collateral so that these small traders may be prevented from going to Mooltanee, Marwaree or Chetti bankers. (These loans should be encouraged only as short loans for 90 days),

(g) the federal bank should discourage as far as possible discounting Marwaree or Mooltanee shroffs bills and Chetti loans for these people secure money from the banks at a cheap rate of interest and invest the same with small traders at a very high rate of interest. Further all the Chetti loans find their way to foreign market for investment with planters, miners, etc., of Burma, Singapore and Ceylon. These capitalists must find a new source of investment for their capital either in industry or in commerce within India or should reduce their rate of interest.

(h) to collect bills on commission, to take up agency or to represent any foreign bank,

(i) to advance on merchandise with goods in their possession or on warehouse receipts given by warehouses for goods in their possessions, and

(j) to do bullion business and to enter into any forward contracts.

Industrial bank of India.

There is ample room for industries in India and for instance in Madras lakhs of tons of groundnuts are exported to Europe; so also skins and hides. With an expert management required, machinery and capital an oil crushing plant can be installed and worked out here. So also tanned skins goods can be manufactured here instead of exporting these hides and skins to foreign countries where they have to stand a competition in public auction and thus subject to loss in value.

India will be in a position to quote its own value on finished goods.

In order to help the industries an industrial bank is necessary and should be floated as an all-India concern with branches in all provincial centres. This bank should secure the service of industrial experts from foreign countries and each branch should possess one such expert associated with its management, whose function should be to see if a particular industry could be encouraged at a particular centre with success and if so how far the industrial bank could help such concern. This industrial bank should in turn be helped by the State bank subject to their conditions.

Agricultural bank.

India is chiefly still an agricultural country and as such an agricultural bank is most essential. But these agriculturist banks should be floated in every district with headquarters in their district centres and with branches in every village. The agriculturists as a class are very poor people and they suffer by want of funds during the sowing and cropping season. Scarcity of water-supply to the lands, insufficient wells, untimely rains, and want of proper manure are the chief handicaps for the agriculturist.

The function of the agricultural banks should be to advance short-loans to agriculturist during the season a certain percentage against their lands or crops as security to enable them to dig wells, to purchase manures, etc.

The agricultural banks should be helped in their return by State bank subject to their conditions.

N.B.—Since writing this, I find in yesterday's paper the Government approved the land mortgage bank which is Government at present.

Foreign banks.

I include in this all banks floated with foreign capital managed and controlled by foreign board of directors. They are pioneers in the field inasmuch as they were first to start foreign joint-stock banks with branches all over India and other places. There is no use of denying the fact that India has learnt and had to learn a great deal about the principal of banking in modern lines only from these foreign banks. Hence it is neither prudent nor advisable for India to ask these foreign capitalists to go back with their bags and baggages. But at the same time these foreign

capitalists should sympathetically realise that India has come to learn a great deal from them and it will be naturally against their sense of honour and patriotism to allow them any more to exploit India. Under these circumstances it will be extremely good for both if they were to come to some sort of understanding and strike some *via media*, so that both may share the profit with mutual advantage. I would suggest the following proposals which if suitable for both will help both:—

1. All the foreign banks should possess an Indian branch of their head office in India.
2. All the foreign banks should issue at par half the share of their Indian capital to Indians.
3. Some Indian directors should be allowed to associate with the board of directors at Indian branch of the head office.
4. Dividends should be declared separately for the profits earned in India and a separate balance sheet should be issued on rupee basis after allotting for reserve fund and charges and some percentage for their H.O. at home.
5. They must encourage and train Indian officers for any post.
6. I think with these conditions these banks will be semi-Indianised and I think this will be a great step forward. Subject to these conditions they must be allowed to do business as an independent body. State banks need not interfere with them as their H.O. at Home will look to their working.

Audits.

2. This audit should be independent and should submit their report every quarter yearly either to State bank or to the Government and a copy should be sent to the respective bank concerned.

They must be empowered to check not only the accounts but also the instruments issued by the directors for advances, limits, etc., and any documents, securities and merchandise goods pledged to the bank.

Any defect in the system of advance or shortage in goods pledged, must be brought to the notice of the State bank or Government whoever are authorised to appoint so that they may take immediate step to see the things are rectified before they take a huge proportion.

These will go a long way to check effectively any fraud at its commencement.

This audit department should be established either by reserve bank or by Government so that they may be independent. If the reserve bank is empowered to appoint this department, the cost must be met by them and in turn the Government should exempt the reserve bank from income-tax by a special Act for the supervision work they do and after all they are only bankers' bank created for the purpose of helping other banks.

Now, I have come to the conclusion and I have not written anything about co-operative banks, for, I believe, they should not be disturbed from their present work. Finally, I believe my idea of federal bank is not impracticable but useful. All the same, I think these arguments hold good for the indigenous joint-stock banks in the absence of federal bank.

**Joint Memorandum of the Secretary, Madras Central Urban Bank
and the Secretary, Madras Provincial Co-operative Union.**

1.—Agricultural finance.

1. There is nothing that can be called a system of agricultural finance in the Province. The money-lender is the chief source of finance and the cultivator makes no distinction between expenses of cultivation, permanent capital and emergency needs. The chief defect of agricultural finance is that there is no economic background for the loans and in no case, is the source from which the repayment should come, demarcated either by the borrower or the lender.

The rate of interest is usually between 9 to 24 per cent, but there are violent variations from district to district and even in the same district. As a rule in the deltaic tracts, it is less than in the dry tracts; but nine and three-eighths per cent at which the co-operative societies lend, is not available to any appreciable section of the agriculturists outside the co-operative movement.

Regarding the period and the security, the loans most commonly begin as loans on personal security on account, or on pro-notes. They develop into mortgages as interest accumulates and the loan swells. In the case of the short-term loans repayable after harvest, the loans sometimes carry heavy interest in the shape of grain and when coupled with forward contracts, the produce is sold to the money-lender at rates very much below the market rate.

The Government's part in agricultural finance is played under the provisions of the Agriculturists' Loans Act and the Land Improvement Loans Act; but it is sad to note that the amount advanced to the ryots under these Acts in the Province is absolutely negligible. The difficulties connected with the obtaining of these loans, such as, the leakage in the process, the delay and the inquisitorial scrutiny which precedes the loans, make the loans unpopular.

Recently since 1925, the Government have lent about four lakhs by the purchase of debentures in the land mortgage banks and they have now come forward to guarantee interest for 25 years on the debentures floated by the central land mortgage bank within the first five years of its life, to the aggregate value of fifty lakhs.

The Imperial Bank of India does not directly finance agriculture but advances largely on produce. Some money-lenders are known to borrow from the Imperial Bank; it may be on approved trade bills, to lend out the money to agriculturists at rates varying between 12 and 24 per cent. Hitherto, the Imperial Bank of India has been accommodating co-operative central banks on the security of co-operative paper, the extent of such accommodation being about 50 to 60 lakhs. It is a matter for regret that recently, the Imperial Bank of India has notified its intention to withdraw this accommodation completely within five years, reducing it by 20 per cent each year. The Townsend Committee recommended that this accommodation should not only be enhanced, but also fixed on a statutory or contractual basis.

The joint-stock banks finance loans on produce chiefly to merchants who are middlemen. Co-operative banks are the only class of banks which finance agriculture. The amount advanced to the members of the agricultural credit societies is between six and seven crores in this Province.

The bulk of agricultural finance undoubtedly comes from professional money-lenders or sowcars in the villages and in the neighbouring towns. Indigenous banks and bankers, as distinguished from money-lenders or sowcars directly finance agriculture only to a small extent.

There are certain localities where these indigenous bankers do finance the ryots of neighbouring villages, but mostly they collect capital and send it to places outside the Province like Burma and Straits Settlements. They also finance internal movement of crops.

The merchants and dealers who finance agriculture are mostly foreign export houses. There is practically a ring formed and except through this agency, it is not found possible either to market the crops profitably or even to ship them to foreign countries. The growers of some commercial crops have now been reduced to the position of indentured labourers on their own fields.

The estimate of total capital required for cultivation expenses and emergency needs mentioned in parts (a) and (b) of question 1 cannot be calculated with accuracy. At present, out of the six crores lent out to rural credit societies, more than three crores are locked up in discharge of prior debts and the like. Assuming that the other three crores are circulating to finance agricultural industry, the needs of the villagers not served by co-operative societies and of all the inhabitants of a village who are not members of co-operative societies, even where they exist, may be easily put at ten times that amount of three crores. This figure, when tested with reference to the estimates of cultivation expenses on dry and wet lands by the settlement officers will be found to be an underestimate. According to any calculation, the capital required for agricultural seasonal expenses cannot be less than 30 crores for those cultivators who are outside the co-operative movement or roughly forty crores for the entire ryot population of the Province. It is probably much more.

The permanent capital required for improvements, in purchase of lands and the like, is not capable of determination, because there are no data or statistics in the Agricultural department; such statistical information as is maintained in some countries is totally absent in India.

The main defect of the present system is that there is no organized agency to advance capital and credit to the agriculturist. The whole aim of each of the money-lending agencies, except co-operative societies, is to make larger profits; there are no effective checks on the rates of interest charged on loans to cultivators or on oppressive bargains, except the general machinery of the law courts to relieve against penalties and unconscionable contracts and the relief that is given by this machinery is absolutely negligible and does not avail those who do not resort to courts. Litigation even when it ends successfully is more ruinous than the fulfilment of an usurious contract.

An organized system of rural credit now obtains in most self-governing countries, especially in the dominions like South Africa, Australia and New Zealand, whose main function is to find money for agriculture and discount agricultural paper. The federal banks in U.S.A. and the Agricultural Credits Act of 1928 in England provide rural credit. In India, the whole banking system is confined to commercial banking very often to the detriment of agriculturists. So, the defect of the system can be summed up in one word—the absence of a rural credit agency in the banking system of the country.

There is no co-ordination among the various credit agencies including the Government. There should be co-ordination between the State bank and the co-operative societies. Without a central reserve bank for India, it is not possible to co-ordinate the existing banking agencies and correlate circulation of capital to promote agricultural industries.

2. Marketing.—The small producer sells his produce at deflated prices, parting with some portion of it to the local money-lender and the rest to the middlemen in the nearest marketing centre. In the case of commercial crops, in many instances, they are sold through forward contracts to foreign houses who advance capital, even before the crop is up. In a small number of cases, the produce is stored in godowns locally and advances are taken from the banks and held up for a favourable market. There is no organized system of marketing anywhere in this Province. Co-operative marketing is not tried anywhere to any extent worth mentioning. There is great scope for co-operative effort generally in marketing produce, specially of the commercial crops. There are no pools and the possibilities of forming pools are very great. The grading of crops and their prepa-

ration for the market develop with the forming of pools and the system of auction which is tried in some places has been found beneficial to the producer in the way of fetching better prices. For instance in the cardamom societies in Madura, auctioning is tried with advantage. The formation of pools for the marketing of commercial crops on a co-operative basis is very desirable and should be encouraged.

Credit facilities for marketing.—This question must be answered from the standpoint of whether the trade is export trade or internal trade. Most of the export trade is chiefly financed by the exchange banks and commercial houses. These houses have their own finances or depend on exchange banks and to a certain extent on the Imperial Bank of India, in an indirect way. Really, what suffers is the internal trade and the export trade of the Indian producers and the Indian merchants who are not linked to export houses. The exchange banks mostly finance European mercantile export houses. The Imperial Bank practically possess a monopoly having branches all over India, and therefore facilities for mobilizing money from district to district through the various branches in the country. The joint-stock banks that exist are detached bodies linked in no way to each other and therefore cannot mobilize money except through the Imperial Bank. If all these banks are organized in such a way as to work together, they could facilitate the remittance of money from one end of the country to another. There are fortunately central co-operative banks almost in every district in India now and all these could be linked together through their Provincial organizations to mobilize their resources through the aid of the State bank. If they are permitted to discount bills and advance moneys on documentary bills, then the facilities for marketing would undoubtedly be improved and made cheaper.

The facilities existing in the case of foreign trade are those created by the exchange banks discounting bills drawn against goods that are shipped to foreign countries. The facilities for internal trade are very few. For example: If "A" dealing in piece-goods sends goods from Madras to a village in the interior or vice versa and draws upon the local merchant, those bills are not discounted by exchange banks, because there are no banking facilities. On the other hand, if the same "A" ships goods to a foreign country and draws upon the foreign merchant, he readily gets them discounted.

Existing facilities for internal remittances are: post office demand drafts, cheques, hundis, R.T.Rs. supply bills, telegraphic transfers and cash remittances. The co-operative banks have not developed facilities for effecting internal remittances. Such facilities should be given to co-operative banks for cashing their cheques at the Government treasuries at a reasonable charge, if sufficient securities are lodged with them. It will go a long way if at least the provincial co-operative banks are allowed to do this, for the central banks can operate through the provincial banks. It will expedite loans to agriculturists and make rural societies more serviceable.

The hundi is the most important inland bill of exchange for internal remittances. The co-operative banks should be allowed to do hundi business for remittances. The claim of the co-operative urban banks is even stronger, as they function mainly as the small traders' banks.

Negotiable instruments.—The hundi, the chief inland bill of exchange, as is well-known, is either to bearer or to the order of the drawee; and either of them may be demand or usance bills. The co-operative banks not having been encouraged to deal in these bills, this bank is not at present in a position to give any further information; but the necessity for the co-operative banks developing such business is strongly urged.

With regard to the encouragement of the use of these bills, the suggestions which we have to make are firstly that the stamp duty upon the usance bills should be reduced, the scheduled rates in article 13 of the first schedule to the Indian Stamp Act being in our opinion high, secondly negotiation of bills drawn in the vernacular languages of the Province must be made far more easy and banks should employ competent officers knowing the vernaculars. The insistence on a vernacular signature being attested before a Magistrate and other restrictions discourages in practice bills drawn in the vernacular. To popularize bills of exchange and extend their use, the insistence upon their being in the English language should

be relaxed, as the percentage of English-knowing population is infinitesimal and encouragement of banking habit among the people cannot be achieved through English.

The legal position of the bills of exchange in the vernacular languages in use and the well recognized incidence attached to them by local custom and usage which are invariably acted upon, are clearly explained in their *treatise on the Negotiable Instruments Act* by Messrs. Bhashyam and Adiga, pages 19 to 24 (Fourth edition).

3. *Value of land.*—The bank has no information on the subject and moreover, the values vary from district to district and even in a single district from locality to locality. It is a matter of common knowledge, however, that land fetches much better price when sold by private negotiation than when sold by Government and the courts, for non-payment of revenue and in execution of decrees respectively.

4. *Land mortgages.*—There are no legal impediments to mortgage of land or agricultural holdings in this Province, except those created by tenures in Malabar and South Kanara. There are 21 primary land mortgage banks registered in this Province under the Co-operative Societies Act. But only six of them are working. The banks raise capital by share money, which is fixed at one-tenth of the borrowing power and by debentures floated on the security of mortgages obtained by them.

In the initial stages, the Government agreed to buy debentures at 64 per cent up to a maximum of Rs. 50,000 in the case of each bank, provided the bank is able to raise locally debentures to the same value. The amount of money so lent by Government is about Rs. 4 lakhs. The banks have raised the rest of their capital. Recently, a central land mortgage bank has been registered with a view to centralize the debenture issue and to provide ample funds for the primary banks.

The co-operative land mortgage banks are supplied by the Registration department encumbrance certificates free of cost for 24 years. The record of rights in this Province is fairly satisfactory, because the Land Records department and the Registration department help the mutation of names in the records as ownership changes. Under the laws of inheritance among the Hindus and Muslims in this Province, the parcelment of names in the records as ownership changes. Under the laws of inheritance, proceed so rapidly that it is impossible for any system of land records to keep pace with it and it is not possible to secure absolute immunity from possibilities of disputes and claims by parties other than those who are the clients of the bank. This no doubt acts as impediment to extensive banking credit.

The remedy merely lies in the careful investigation of title in each case by a qualified staff assisted by legal advice. The purpose of loaning should be chiefly confined to liquidation of prior debts. In due course, improvement of land and methods of cultivation may also be tackled.

The funds of the land mortgage banks should be derived chiefly from debenture bonds. Deposits do not, and ought not to, ordinarily play an important part in land mortgage banks. They are intended to tide over temporary needs for short periods. Advance payments by prospective debenture holders are treated as deposits by the primary land mortgage banks till debentures are actually issued. It is a question whether this is regular. Any extensive resort to this doubtful method by the central bank will involve the bank and the Government in loss and will lend itself to abuses.

The guarantee of interest by the Government on the debenture bonds will suffice. Guarantee of principal is not necessary. The debenture bonds will possess a high degree of safety and liquidity if they are also made trustee securities.

If the land mortgage banks are worked efficiently, and the mistake of mixing up their business with deposit banking is avoided, the Government are not likely to lose on their guarantee. The sound management of the bank can be secured more by reliance on a good directorate with local knowledge and efficient staff than upon departmental control and interference at every stage. In this connection, we beg to draw the attention of the committee to the observations of the Burma Government on the

inadvisability of departmental interference in the financial management of co-operative banks (vide page 6 of the Report of the Committee on Co-operation in Burma).

Debentures with Government guarantee can, in due course of time, be successfully floated at 5 to 5½ per cent, but in no case should land mortgage banks offer more than 6 per cent at present. The debenture holders, except co-operative societies, who buy debentures are investors of surplus wealth and are in no better position than depositors in co-operative central banks. We, therefore, do not find any reason for debentures of the central land mortgage bank being made income-tax free to the prejudice of the general tax-payer. The lowest rate at which it may be lent out to the ryots is 7½ per cent or 8 per cent, in order to leave adequate margins for the working expenses of central and primary banks. Each district should have two or three to begin with and a bank for a whole taluk must be the goal. When the central bank works properly, it will conduce to economy and efficiency to have larger primary banks with adequate in-door and out-door staff for promoting loans and effecting recoveries.

Facilities for foreclosure and sale under adequate safeguards should be given to the land mortgage banks to make recoveries easy and the debentures popular; but there must be specific provisions for the banks compulsorily re-selling the properties purchased or foreclosed by them and they should not own them beyond a certain period except under specific safeguards in exceptional circumstances.

5. *The indebtedness of the agriculturists.*—This can be ascertained by collecting data in typical areas and collating the results to arrive at the total indebtedness. The results so arrived at may be tested with reference to the inferences to be drawn from the statistics of income-tax returns, registration returns, property statements of co-operative societies, settlement officers' reports and the like. The Provincial Banking Enquiry Committee's special staff of investigators will have collected information regarding the indebtedness in select areas and if the areas chosen are typical, a generalization from the data collected will, we believe, yield a roughly correct estimate. If a good attempt has not been made in this direction already, we have no doubt it will be made through a sub-committee of the committee. The estimate of the indebtedness of this Province at 100 crores is very near the true figure. The general belief that indebtedness is 20 times the land revenue corroborates this estimate. Mortgage debt is roughly 50 per cent of the total. So far as the co-operative societies are concerned, the classifications required in clauses (a) to (i) in question 5 are found in the administration reports of the Registrar, and no further information is available in the provincial bank. This classification may be taken to be fairly typical of the family budgets of the lower middle classes.

The money is mostly due to professional money-lenders. The money due to the co-operative societies in this Province is about 6 crores. There are no figures to show the amount of the indebtedness of agriculturists to the indigenous banks and joint-stock banks. The indebtedness due to the Government is a figure which can be correctly ascertained from the Government records. Expropriation is going on, though not to an alarming extent. The process of transfer of land from the farmer to the professional money-lending classes and lawyers, teachers, medical men and others who invest their savings in land is on the increase, and the farmers are being turned out of the land in many cases. They are not admitted even as tenants into the land from which they are expropriated. If a rich ryot purchases the indebted ryot's land, the farmer himself cultivates the land; other investing classes lease them at competitive rents. This process undoubtedly takes away the incentive of the cultivator to invest money on improvement of land and methods of cultivation and to produce more.

6. *Subsidiary industries.*—The report of the special officer for survey of cottage industries, Mr. Narayana Rao, who made a survey of such industries, contains the latest available information and the bank has no further information. With regard to the financing of these industries, special co-operative societies must be started and not be left in the hands of the ordinary officers in the department, but committed to the care of officers possessing special technical knowledge and sympathy. The State Aid to Industries Act should be suitably amended to promote cottage

industries on co-operative basis. We will also suggest that the primary societies in the various villages should be encouraged to stock these products to the extent to which they may find them necessary for the daily needs, finding the money from their own general funds and thus creating marketing facilities.

6-A. To the industries mentioned in this question may be added Aluminium sheet metal workers' industry which is being carried on in some centres. It is found in the East Godavari district among others.

7. The relations between the co-operative bank and the Imperial Bank of India merely consist in the latter giving accommodation to the former on co-operative paper and on Government securities. The limit of credit of co-operative bodies against Government and other authorized securities and against the borrowers' demand promissory notes and promissory notes of local credit societies is set forth on page 89 of the Towns and Committees' report. Co-operative banks have at present practically no relations with joint-stock banks and indigenous banks. The money available in the provincial and the central co-operative banks for short-term capital is ample for the present needs and as a matter of fact an appreciable portion of it is not absorbed by the societies with the result that both the central and the provincial banks are surplusing.

There is really no long-term capital in the co-operative banks; but without endangering the safety of these banks, it has been found possible to lend the money raised by deposits for periods extending to ten years to rural credit societies. The latter, in their turn, lend them to their members for similarly long periods, but in all cases; the long-term loans are secured by mortgages.

The purposes for which these long-term loans are lent to rural credit societies are such that in many cases a repayment within ten years has not been found practicable. The result has been larger overdues in the case of long-term loans. The co-operative land mortgage banks ought to tackle the liquidation of prior debts. The chief difficulty which co-operative banks at present experience is the absence of facilities to raise money on the borrowers' demand promissory notes or on the societies' promissory notes when there is heavy pressure for money, because this paper is not freely discounted by the Imperial Bank and joint-stock banks. So the obstacle for raising the necessary co-operative capital is the absence of discounting facility for co-operative paper.

There is competition but the competition does not come from co-operative banks offering higher rates of interest. The highest rate offered by the provincial bank is 4½ per cent for deposits of two years and over and 4 per cent for deposits of one year's duration. The central co-operative banks in the districts are not permitted to borrow at more than 5½ per cent. The rural credit societies themselves are not permitted to borrow local capital at more than 7 per cent. The complaint sometimes heard from joint-stock banks about co-operative banks competing with them is absolutely unfounded. The comparatively low rates offered by the co-operative banks are also not due to State concessions to these banks as is sometimes asserted. The nature of the co-operative security and the confidence which these banks have gained in the money market are responsible.

The advent of co-operative banks has brought down the level of interest and encouraged the depositing habit. The figures given above clearly indicate that co-operative banks are not competing with the joint-stock banks by putting up their rates of interest to draw away any capital from the joint-stock banks.

Concessions which co-operative banks require to place agricultural finance on a sound and sure basis, and to realize the aims mentioned by the Government in setting on foot the banking enquiry, may be thus summarised:—

(i) Placing on a footing of statutory or contractual guarantee the financial facilities at present enjoyed by the co-operative banks at the hands of the Imperial Bank, and the enlargement of the scope of those facilities by the provision of finance on favourable terms on a longer term basis and at reduced rates of interest for periods of twelve months and under. Loans for periods of over twelve months, but not exceeding twenty-four months, should be granted at bank rate on pro-notes or on bonds of

provincial banks with fixed instalments, and short-term loans for periods of twelve months and under, on pro-notes at 1 per cent below the bank rate;

(ii) the grant for co-operative banks of cash credit for agricultural operation and the discounting of their bills of exchange;

(iii) the recognition of approved co-operative central banks in areas where the Imperial Bank has no branches, as agencies for the management of Government sub-treasuries;

(iv) the recognitions of inland exchange business as a legitimate part of the operations of the co-operative banks and the grant of further facilities for transmission of funds through the treasuries, particularly in taluka towns, with a view to encourage the opening of urban banks and branches of provincial or central banks at those centres;

(v) provision for cheap capital for the acquisition or construction of godowns in rural areas in order to encourage the marketing of agricultural crops financed on co-operative basis; and

(vi) exemption to co-operative societies from payment of income-tax on earnings from investments in public securities or land mortgage debentures.

II.—Indigenous banking.

1 & 2. The indigenous bankers in this Province are to be found among the Nattukottai Chettis, the Multanese, Marwadis and Gujarithis. The Nattukottai Chettis, as already stated, send most of their funds outside the Province. The amount advanced by them to finance local industries is very small. The hundis discounted by them are generally limited to their own community firms. The amount of financial help advanced to agriculturists is fairly large, but this amount cannot be ascertained with any accuracy.

The Multanese are really the class of indigenous bankers who finance trade, movement of crops, help the movement of funds and exchanges. Their operations cover several crores of rupees. The Imperial Bank has apparently greater confidence in the Multanese, because we understand that the rate of discount to them is less than that charged to Nattukottai Chettis.

The Marwadis are all over the Province. Just as the Nattukottai Chettis send money outside the Province, the Marwadis bring it into the Province from outside—from Marwar. The deposits they receive from the public in the Province constitute a very small portion of their funds. They lend money on a large scale. Certain local trades are financed by them almost exclusively, e.g., the Japanese camphor trade, glass bangle trade, the drug trade, the ghee trade and the like. Piecegoods trade is financed by them but not to the same extent as in other Provinces.

In the Telugu districts they finance agriculturists largely, accepting gold, silver and jewellery as security. The usance of their hundis rarely exceeds three months.

The Gujarathis are centred in the cities and do not finance agriculture. They are traders generally and do banking incidentally to their business.

There is a class called the hundi merchants in the Tinnevely district, their headquarters being Kalladaikurichi. They specialise in hundi business. They have spread out to Travancore and Cochin States. There have not been, we are told, cases of business failure reported among this class of merchants.

3. The information asked for in question 3 is not available to the public, because indigenous bankers and the indigenous banks do not publish their balance sheets, nor any periodical statements of accounts.

Indigenous bankers have no relations with the co-operative banks. They have got relations with the Imperial Bank and the joint-stock banks. In Madras, the Imperial Bank and the Indian Bank seem to be actually competing for the business of the Multanese.

4. Reference may be made to Bhashyam & Adiga's Negotiable Instruments Act, pages 19 to 24, for an enumeration of the inland bills of exchange and their legal and customary incidents.

5. The Chettis are known to allow a higher rate of interest on deposits to members of their own community (nadapu vaddi) and to specially-favoured customers. The general rate to others is stated to be between 7½ to 9 per cent. It is not usual with them to take long-term deposits.

6. The agriculturists do not generally get accommodation from the indigenous bankers at less than 12 to 15 per cent. If the amount borrowed is large, there may be some reduction in the rate. In order to ensure a reduction in the rate of interest and just terms to the borrower, due publicity of the operations will go a long way. Further, if the State bank and other joint-stock banks finance the indigenous bankers for the purpose of money being transmitted to the agriculturist, a restraint may have to be placed upon the liberty of the indigenous banker to charge excessive rates of interest.

In co-operative finance, the provincial banks, the central banks and the primary societies are all subject to such limitations in the interests of the agriculturists.

The reduction in the rate of interest to the agricultural community will undoubtedly result in the improvement of their standard of living and in the methods of cultivation.

7 & 8. There is a good deal of prejudice, but most of it is unjustifiable. They do not, however, require any special protection apart from what other bankers enjoy. The majority of the indigenous bankers deal on sound lines with their clientele.

The question of affording special financial facilities to make them more serviceable to the community is worth considering. But, in order to justify such facilities, indigenous bankers should agree to bring themselves under regulations similar to those imposed upon joint-stock banks in the matter of publishing their balance sheets, methods of keeping their accounts and so forth.

The better class of indigenous bankers will surely welcome measures for the better regulation of their own operations and for giving publicity to the same. The Usurious Loans Act has not yielded beneficial results. While it is possible by legislation to declare that certain rates of interest and terms of contract are invalid, it is not possible to prevent people from paying and receiving those rates or from entering into such contracts. We are not in favour of any drastic legislation like Money-lenders Act and the Regulation of Accounts Act attempted in the Punjab. Approaching the question from the point of view of the borrowers, we are equally opposed to legislative measures like the Deccan Agricultural Reliefs Act or the Land Alienation Acts in the Punjab, Bombay and Bundelkhand and Burma. Mr. Darling's account of the working of the Punjab Act shows that the non-agricultural money-lender is replaced by the agricultural money-lender who seems to be, if at all, less relenting and more harmful than the non-agricultural money-lender. It is no more possible to legislate peasants to thrift than to legislate bankers into morality. We are in agreement with the following observations of a recent writer on Indian indigenous banking: "If the cultivator or agriculturist has still to contract loans, if he must still sell his plot of land to get or redeem the loans, and there is nothing in the Acts to alter these conditions in favour of the cultivator, and, on the other hand, if by the Acts, the freedom of the sale of the land is restricted to certain classes which are declared agricultural, the question admits of only one answer. The causes for securing loans being still in operation, the necessity of selling land being still there, and the number of likely purchasers being reduced, the cultivator gets for his land a lower price than he would otherwise have done, and the burden of debt, so far from being reduced, is thereby increased." The remedy, in our opinion, therefore, lies in improving and organising the banking system, in the rapid development of the co-operative credit movement, and in linking up rural credit with the banking system of the country.

10. We are not aware of any impression that the indigenous bankers are unable to meet demands for accommodation owing to insufficiency of their working capital. But, of late, there has been a reluctance on their part to resort freely for deposits from the public and sometimes even to borrow from the Imperial Bank to increase their working capital and to rely more

on their own resources. This tendency will lead to two undesirable results. The indigenous banker who has been an agency for encouraging banking habit and thrift among the population, in his neighbourhood, will cease to discharge a very useful function in a country where banking facilities are very few, and the incentive to save and to make the national savings available for the developments of the country needs to be fostered. Secondly, when once the indigenous banker degenerates into an ordinary money-lender, who lends out his own money, he attracts to himself all the evils associated with money-lending, leading to "misery and helplessness of his debtors and abuse and calumny of creditors". So, the tendency should be checked by encouraging the indigenous banker to do real banking and taking steps to connect him with the general organisation of the money-market.

11. It is possible and highly desirable to link indigenous banks and bankers with the central money market and provincial capitals. The existing branches of joint-stock institutions and co-operative central banks can be utilized to facilitate the business of indigenous bankers. These institutions can be made use of for collection of the hundis that an indigenous banker might have discounted or by special arrangements to get his bills discounted by them on business terms. In this way, it is possible to open up areas which are now suffering from want of banking facilities. At every district headquarters, there is a central co-operative bank whose services also may be utilized for this purpose with advantage. Such local joint-stock and co-operative banks will inspire great confidence among the indigenous bankers, if the services of the latter are utilized for the purpose of opening and giving credits to members of the public that may deal with the banks through them. Such an arrangement would, to an extent, benefit the indigenous banker and he will feel attached to a joint-stock bank for pushing business through him. Further, the local knowledge of the indigenous bankers will be of great help to the banking institutions to fix the credit-worthiness of various parties.

The indigenous banker usually does not deposit his surpluses in slack season in the joint-stock banks, but retains in his chest portions of them after reducing part of his liabilities; but, when there is stress for money, he resorts to joint-stock banks for borrowing. So, these bankers have idle resources at certain seasons, while they are maintaining practically no resources at other times. The joint-stock banks, on their part, are compelled to continuously maintain large resources owing to the absence of a central reserve bank. The result is that such needless and idle portion of the reserves scattered among the numerous indigenous and joint-stock bankers do not play their part in developing the resources of the country, by being profitably employed. If there are proper arrangements to enable both indigenous bankers and joint-stock bankers to rely upon each other and upon a central reserve institution in times of need, the resources that are idle at present can be more profitably employed.

Undue emphasis is laid upon the risks involved in connecting co-operative banks with this kind of business. There is no ground for such fear, as many of these co-operative institutions have run a life of 20 to 25 years and are found capable of handling business with due care and caution. They are also getting to be manned by well-paid, qualified and trained staff, and in the interests of improving the banking facilities, these institutions must take up courage in their hands and connect themselves with the business world.

12. The general impression is that there is not any large amount of capital with the indigenous bankers which, owing to want of investment locally, is flowing to the provincial capitals, either for long or for short periods.

III.—Investment habit and attraction of capital.

The existing resources of banking have not been fully developed. At the same time, we feel that the extent of the rural capital which can be developed is a little exaggerated. We readily admit that the small savings of certain classes can be mobilised and brought into the realm of banking with greater banking facilities and profitable modes of investment. But, multiplication of banking agencies will not, by itself, create wealth which is not already there, even in potential forms. Most people live from hand

to mouth and many more barely have a single full meal a day. There is a certain amount of shy capital and hoarded wealth, but the idea that there is a huge quantity of it is not substantiated, to say the least. Even if the poor people who form the vast bulk of the population, can be made to earn and save a little more, there is a great need to improve their present miserable standards of living and the increase in their earnings and savings ought to be legitimately absorbed in the interests of national good in improved standard of living, and much will not be left to be banked.

The joint-stock banks, the co-operative banks and the indigenous bankers, apart from the Government, are the main institutions which provide facilities for investment. Nidhis and chit funds are also useful for small investors. Their working should be carefully examined to remove existing defects and abuses. But, of late, there has been an alarming increase in loan companies, whose prospectuses do not bear scrutiny for a minute. They offer attractive rates to depositors and promise free loans to borrowers. The ideas of rural reconstruction and economic organization of the ryots are exploited by these companies. They are sure to adversely affect genuine co-operative and agricultural financial agencies. A thorough enquiry into them is urgently called for in public interests. But facilities for collecting the savings of the small man in the interior are badly lacking. Propaganda and methods of small collections resorted to in Germany and other countries will help to collect the small savings. With regard to the large investments in the cities, we are not prepared to say that the public are provided with full facilities of investment. There are no expert agencies such as investment trusts to advise them as to the most profitable means of investments. The banks and the brokers must help the investing public in a more systematic manner.

People in India do invest a portion of their earnings in silver and gold. It is sometimes due to the desire for personal adornment and sometimes such investment is looked upon, even at the inception, as a mode of creating reserves for future needs; but there is not much hoarded wealth which can be extricated from this form of investment to be diverted into banks.

The problem of investment and attraction of capital should be therefore tackled from two standpoints, viz., the mobilising of available resources and the creation of facilities, for the increased earnings and saving capacity and adding new capital.

2. The investments of small savings in postal cash certificates and savings banks do not result in the development of trade, industry and agriculture in the country as, like other Government loans, they are spent on capital expenditure or on administration. They deplete the money market and except in times of great State need should not be encouraged among rural population.

We are of opinion that the small investors, especially in rural areas, should be encouraged to deposit their surplus wealth and savings in ordinary co-operative banks and land mortgage bank debentures or in joint-stock banks where they exist, for this mode of investment is more beneficial to the rural population.

The post office cash certificates yield about 5½ per cent and the Treasury Bills now yield 6½ per cent according to last week's transactions. The co-operative banks and land mortgage bank debentures or in joint-stock more than 4½ per cent and 5 per cent. There can therefore be no possible doubt that the Government are competing with the banking institutions. We cannot say that the present financial policy of the Government in this matter is conducive to the encouragement of banking institutions.

3. We are not in favour of small agriculturists and small investors in the country taking up some form of Government security. As we have already stated, they should invest their money in organizations whose resources will be available to finance agriculture and small traders.

In areas where land is considered as a coveted form of investment, the ryots invest moneys which come into their hands in the purchase of land, when they are not spent on marriages and other social and domestic demands. If they do not purchase land, they lend to fellow agriculturists, but rarely send to the bank.

Farmers do lend to their fellow agriculturists and their terms are not more humane than those of non-agricultural money-lenders. In prosperous years, the surplus in the case of most cultivators goes in discharge of prior obligations which have been left unfulfilled owing to adversity of seasons in the former years.

4. How far exactly the reduction of stamp duty on cheques has promoted the cheque habit can only be ascertained by reference to the figures available in the clearing house. It has had, generally speaking, a beneficial effect in encouraging the habit, though the effects are not yet perceptible.

We are in favour of paying Government servants and employees whose salary is above Rs. 100 by cheques. It will initiate them into the habit of opening a bank account. Salary cheques on Imperial Bank should be made cashable at Government treasuries and those on other banks similarly cashable by arrangement. Cheques drawn by co-operative banks on the Imperial Bank also should be made cashable by the treasuries by arrangement under adequate safeguards as to securities.

We have already indicated that the use of vernacular scripts in banking should be encouraged instead of being discouraged as at present.

5. The result of opening new branches of the Imperial Bank has been and will be to hit the business of the joint-stock banks by exposing them to unequal competition in almost all areas in the Province, and to discourage other joint-stock banks to develop their branch banking business. Indian enterprise in banking should be encouraged. The funds obtained by foreign insurance companies and the surplus deposits of foreign exchange banks, over and above the funds needed to finance foreign trade, should be made investable in India.

**Memorandum by the Deputy Director of Industries on the
Working of the State Aid to Industries Act and the
financing of Cottage Industries.**

The provision of financial assistance to industries.—As one of the results of the labours of the Industrial Commission, the active participation of the provincial Governments in the industrial development of the country came gradually to be recognized as one of their legitimate functions. The question of the provision of financial assistance to industries was one of the important matters which came under the purview of the Indian Industrial Commission and the specific recommendations made by them in this regard were as follows:—

(a) The appointment of an expert committee to formulate schemes for the establishment of industrial banks. When properly developed these banks would, it was thought, do away to a very great extent with the necessity of Government rendering direct financial assistance. As regards the question whether Government should take steps to establish, or at least to encourage the establishment of industrial banks, or whether this, like other forms of industrial activity, should be left to private enterprise, the Commission were of opinion that, although, at first, direct Government assistance should be given, work of this kind could be performed more suitably by private agency and that Government should hand over all such business to suitable banks as soon as circumstances permitted. Pending the institution of industrial banks, however, the following facilities, it was suggested, might be provided.

(b) For middle-class industrialists, cash credits for definite periods and amounts with a bank, subject to a guarantee by Government, after examination by the Director of Industries and his expert staff, of the financial standing of the applicants and the prospects of their businesses.

(c) In cases which could not be reached by banks, but where in the public interest, assistance was necessary, e.g., to test the possibility of successful manufacture of a product or to produce an article required for national safety, direct financial assistance might be given by Government in the form of

(i) guarantee of dividends, e.g., in the case of large industries likely to pay dividends after a reasonable period,

(ii) loans of money, especially in the case of concerns with assets of a comparatively liquid nature,

(iii) agreements to purchase output, e.g., in the case of articles not previously made in the country but required by Government for its own purposes,

(iv) contributions to share capital especially in the case of concerns which are important from the point of view of national safety, but which Government do not desire to undertake under its own agency.

(d) Loans to small or cottage industries and to co-operative societies or financing of the purchase of plant, on the hire purchase system. In this case special legislation would be necessary to provide suitable means for the recovery of outstandings.

2. The question of financial and other forms of assistance for new industries was one of the subjects discussed at the conference of Directors of Industries held at Simla in April 1920, but no definite conclusions as to the forms which financial assistance to industries might legitimately take or the limits within which and the conditions under which such assistance might be given by the Government of India and the local Governments were arrived at. The question was further discussed at the second conference held at Cawnpore in November of the same year with similar inconclusive results. The question of the relative advantages of encouraging the establishment of provincial industrial banks and of introducing a system of

direct Government assistance to industries was discussed at the third conference of Directors held at Simla in May 1921 when varying opinions were expressed, but no definite decisions as to the policy to be followed appear to have been arrived at.

3. It seemed to have been generally recognized at the time that the banking system in India was too inelastic and insufficient to meet the needs of the country, and that in respect of industries, development was retarded because the banks refused to advance money for lengthy periods on the security of buildings and plant. Similar views are still not infrequently expressed. The business that the Imperial Bank of India may undertake is strictly confined within certain limits laid down by a special Act of the Indian Legislature and within these limitations it cannot be of any great assistance to industrialists. Although some other forms of security can be taken by the bank, so far as private industrial concerns are concerned, the bank can, for all practical purposes, advance and lend money and open cash credits only on the security of (a) goods which, or the documents of title to which, are deposited with, or assigned to, the bank as security for such advances, loans or credits, (b) accepted bills of exchange and promissory notes endorsed by the payees and joint and several promissory notes of two or more persons or firms unconnected with each other in general partnership, and (c) fully paid shares and debentures of companies with limited liability, or immovable property or documents of title relating thereto as collateral security only where the original security is of the kind specified in (a) above and if so authorized by any general or special directions of the central board of the bank where the original security is of the kind specified in (b) above. The bank cannot also make any advance or loan for a longer period than six months or upon mortgage or in any other manner upon the security of any immovable property or the documents of title relating thereto. The bank cannot therefore contribute to the fixed capital of an industrial concern though it can lend funds for working capital against promissory notes or against the security of stocks and raw materials. Moreover, the average rate of interest charged by the bank is higher than that charged on loans granted under the State Aid to Industries Act to which reference will be made later. If the Imperial Bank of India Act could be made more elastic it might conceivably be possible for the Imperial Bank within safe banking limits to render more assistance towards the advancement of the general economic condition of the country. Practically all the other banks of established reputation appear to work on more or less the same lines, and the attempt in the Punjab to introduce banking on industrial lines failed, one of the reasons being, it is understood, that the banks sank far too great a proportion of their funds in a single industry. The Industrial Commission, as already mentioned, favoured the establishment of industrial banks or similar organizations designed to afford financial assistance to industries for longer periods and on less security than is within the power or practice of the ordinary joint-stock commercial banks, i.e., banks which would keep in touch with small industrialists, be able to estimate the prospects of a fairly extensive range of industries and possess funds which it could afford to lock up for a time on securities not readily realizable and advance them on the security of plant, buildings and land. An example of such a bank was the Tata Industrial Bank which, however, failed in its objects and was later merged in the Central Bank of India which does not carry on industrial banking. It is believed that apart from underwriting certain large industrial issues, the defunct Tata Industrial Bank transacted only ordinary banking business and did little to assist the industrial development of the country. One of the difficulties experienced by banks in India in providing loans for industrial development is probably that applicants for such loans have often few fluid assets and no liquid security to offer. The great problem which any industrial bank would have to face is the lack of accurate knowledge of the applicant's capacity to carry on the business which he had taken up. In the case of large undertakings, an industrial bank such as the defunct Tata Industrial Bank, could and would no doubt make its own enquiries about the promoters' credentials, but for small scale industrialists, such a bank would scarcely have the necessary staff or organization to obtain the necessary information and consequently would not be able to grant them loans. It is doubtful therefore whether unless Government undertook the task of enquiring on behalf of the bank into the solvency and standing of such applicants, an industrial

bank would be able to provide the requisite assistance. An interesting suggestion has, I understand, been made in Bihar and Orissa that the administration of the State Aid to Industries Act in that province should be vested in an industrial bank which would work in close collaboration with the Industries and Co-operative departments thus combining the advantages of the two systems of financing industries.

4. The Madras Board of Industries who considered in 1921 the question of financial and other forms of assistance to new industries passed a resolution to the effect that the assistance afforded by banks to new industries was not adequate and they recommended that the Government should have power to make advances for the establishment of new industries. It was owing to a recognition of the fact that the assistance afforded by the various banks to new industries was not adequate and that it was essential to industrial development that Government should have power to make advances for the establishment of new industries, that it was decided to promote the Madras State Aid to Industries Bill. The Bill which was introduced in the November session of the Legislative Council in 1922 was warmly supported in Council by representatives of all sections of the public and was subsequently referred to a Select Committee for detailed consideration and passed with certain amendments and modifications in the subsequent session of the Council amidst every manifestation of popular approval. Meetings of the Board are held periodically and on an average once in three or four months. An Act similar to the Madras Act and differing from it only in detail has since been passed in Bihar and Orissa. There is also an Act in force in the Punjab though details in regard to it are not readily available whilst the question of introducing Acts to regulate the provision of financial assistance to industries has been mooted in several other provinces.

5. The Act is intended to assist in the establishment and development of industries which must be such as have an important bearing on the economic development of the province and must be

- (1) new or nascent industries, or
- (2) industries to be newly introduced into areas where such industries are undeveloped, or
- (3) cottage industries.

It is laid down in the Act that no such aid shall be given to any joint-stock company unless

- (a) the same is registered in India on a rupee capital, and
- (b) the company conforms to such rules as may be made by the local Government from time to time requiring that a minimum number or a proportion of the members of the board of management shall be Indians.

Under the Act the local Government have power to give aid to an industrial business or enterprise in one or more of the following ways:—

- (a) By granting a loan,
- (b) by guaranteeing a cash credit, overdraft or fixed advance with a bank,
- (c) by paying a subsidy for the conduct of research or for the purchase of machinery,
- (d) by subscribing for shares or debentures,
- (e) by guaranteeing a minimum return on part of the capital of a joint-stock company,
- (f) by making a grant on favourable terms of land, raw-material, fire-wood or water, the property of the local Government.

Under the provisions of the Act as it exists at present no loan can be granted of an amount exceeding 50 per cent of the net value of the assets of the industrial business or enterprise after deducting existing encumbrances, but as will be shown later, it is proposed to introduce a Bill further to amend the Act so as to make it possible for aid to be granted to applicants of an amount of loan equal to the net value of the assets of the industrial business or enterprise. Every loan granted under the Act must

be secured by a mortgage or floating charge upon the whole of the assets of the business or enterprise, subject to any encumbrances existing at the time of the grant, and by such collateral security, if any, as may be required by the local Government. The interest charged on the loans advanced under the Act must not be less than one-half per cent above the rate at which the Madras Government have last borrowed for the Provincial Loan Account. The rate has been uniformly maintained at 6½ per cent per annum since the Act came into force.

6. Up to the 1st January 1930, 41 applications had been considered by the board of which ten for loans were granted aid. Of the 24 applications for loans which were rejected by Government, nine were rejected as they did not satisfy the provisions of section 5(i) of the Act, four because they failed to satisfy the provisions of section 9, four owing to the unsatisfactory character or inadequacy of the security offered, and five as the board and Government were not convinced of the inherent soundness of the scheme and the possibilities of development, and the remainder for other reasons. Two applications for the guarantee of an overdraft with a bank were received, one of which was partially granted and the other is still under consideration, two applications for subsidy, one of which was withdrawn and the other rejected by Government as they were not convinced of the soundness of the scheme of research proposed and two applications for subscription by Government for shares both of which were rejected on different grounds. The loans actually sanctioned and disbursed to applicants were ten in number including two to the Carnatic Paper Mills Co., involving an aggregate amount of Rs. 7,73,915-8-0. In the appendix will be found particulars of the loans so far disbursed and the individuals or firms to whom and the purposes for which the loans were granted. By far the most important application so far dealt with by the board has been that of the Carnatic Paper Mills to whom financial assistance to the extent of Rs. 6,49,215-8-0 in the aggregate or Rs. 7,87,135-13-0 including interest was granted at various times. It would be beyond the scope of this note to discuss the chequered history of this concern which is hardly typical of the businesses or enterprises likely to receive over a period of years financial assistance under the Act. Suffice it to say that the concern has recently been taken over by a new company formed for the purpose and Government have received in full satisfaction of all the debts due from the old company, a sum of Rs. 4 lakhs from the Official Liquidator and written off the balance of Rs. 3,87,135-13-0. There follows a brief account of the loans granted under the Act to the eight other concerns.

Messrs. Muppanna Somaraju and Veerrazu, silk cloth manufacturers, Peddapuram, were granted in 1924 a loan of Rs. 50,000 for the purpose of improving their factory so as to permit of the preparation, twisting and dyeing of silk for handloom weavers. In it silk is twisted and dyed and woven into cloth whilst dyed warps are also prepared for issue to cottage weavers who weave the cloth in their own houses in accordance with standardized patterns for which a demand exists. It was a condition of the loan that the proceeds of it should be applied for the development of the factory so as to permit of the preparation, twisting and dyeing of an increased quantity of silk for handloom weavers. There can be little doubt that the grant of a loan to this firm was of material assistance to them. The concern appears to be prosperous, a satisfactory net profit having been realized during the last few years.

The Kanara Rice and Saw Mills, Ltd., Coondapoor, were granted in 1925 a loan of Rs. 9,600 for the purpose of purchasing a band saw for their mills. They failed, however, within a year from the date of disbursement of the loan to instal the saw and in consequence of the mills proceeding to utilize the unspent balance of the loan as working capital, without obtaining the previous permission of Government, the recovery of this balance was ordered. As they failed to pay the second and third instalments of the amount of the unspent balance of loan and also failed to pay the fourth instalment of the loan, steps have been taken to recover the whole outstandings due to Government.

M.R.Ry. D. Rangaswami Nayudu of the Andal Mills, Gudiyattam, was granted in 1925 a loan of Rs. 5,000 for the purchase and installation of two gins and for the construction of the necessary building and godown at Gudiyattam, North Arcot district. It was thought that the establishment of

the ginnery would assist the expansion of cotton cultivation in the North Arcot district but this hope has not been fulfilled as the gins have been practically idle and the concern is not in a prosperous condition. The repayment of the second annual instalment was suspended for one year and their request for a further postponement by one year of the repayment of this instalment of the loan was refused by Government and attempts are being made to recover the instalment.

One of the most interesting of the concerns so far aided by Government under the Act is the Kallakurichi Co-operative Agricultural and Industrial Society who were in 1925 granted a loan of Rs. 18,600. The main activities of the society whose factories are well-situated in the centre of a large agricultural area, consist of the milling of rice, and the decortication of groundnuts. The crushing of sugarcane and the manufacture of jaggery have also been undertaken while the extraction of oil is under contemplation. The society has been fairly successful. There would appear to be scope for the establishment of many similar factories in other areas for the utilization and working up into manufactured form of the agricultural produce of the province and it was thought at one time that it was in the direction of assisting financially industrial co-operative societies of this kind that the Act would find its greatest scope and usefulness.

Mr. Muthala Seenappa Ramanna was granted in 1927 a loan of Rs. 20,000 for working his safety match factory at Bellary. The loan granted has not, however, assisted the development of the industry at that centre as unfortunately the proprietor quarrelled with the manager whose appointment was approved by the department, and later, reported the occurrence of a fire at the premises which damaged part of the machinery and plant. As it has been considered desirable to recover the loan amount, steps have been taken accordingly.

The pyrotechnic match factory of the Zamindars of Belgaum who were in 1928 granted a loan of Rs. 11,000, appears to have been working successfully.

The Salem Dye Works Syndicate, who were granted a loan of Rs. 10,000, which was disbursed in November 1928 are, it is understood, experiencing certain difficulties in the manufacture of their products partly on account of the hardness of the water and the future development of the concern will require careful watching if it is to achieve success.

Finally a loan of Rs. 500 has been granted to the proprietors of the Ram Ram Safety Match Works, Tholampalayam, Coimbatore district, for providing the working capital required for the working of their factory.

7. There was an application received for assistance under the Act from a concern which appeared to be receiving more or less adequate financial assistance from a bank of repute, by whom they were permitted to overdraw to the extent of Rs. 25,000 on the security of their factory and stock supplemented by personal security, monthly stock lists being submitted to the bank. The overdraft was, however, limited to Rs. 5,000 during the slack season and the rate of interest charged was from $2\frac{1}{2}$ to $3\frac{1}{2}$ per cent above the rate charged on loans granted under the State Aid to Industries Act. The object of the concern in applying for the loan was apparently to effect a saving in interest charges and the question to be decided in this case was whether in the circumstances a loan could suitably be granted under the Act to retire a bank overdraft. The Board of Industries was sharply divided as to the propriety of recommending the grant of the loan applied for. The majority appeared to consider that the purpose of the Act is to provide the capital required for the extension of concerns with good potentialities of development. On the other hand the minority considered that the purpose of the Act is not to provide financial assistance for concerns that are able to arrange with an established bank for the financial accommodation required for their business. They considered that it would be very objectionable for Government to compete with a commercial bank in providing financial facilities. In the result, Government decided that the application in question was not a suitable case for the grant of aid under the State Aid to Industries Act.

8. The question was taken up in 1927 of amending the explanation to Rule 1 of the Special Loan Rules framed by Government under the Land Improvement Loans Act, 1883, and of the consequential modification of

section 20 of the State Aid to Industries Act, so as to enable in suitable cases, the recipient of a loan for the purpose of setting up a pumping installation to carry on a seasonal or subsidiary industry such as rice-hulling, cotton-ginning, groundnut decorticating or oil seed crushing as an auxiliary to it by the inclusion in the amount of the loan granted for the pumping installation, of the cost of an engine of a capacity sufficient for the combined scheme. The Board of Industries approved the principle involved in the proposed amendment and the consequential amendment to section 20 of the State Aid to Industries Act. Government, however, in the Revenue Department considered that the proposed amendment of Rule 1 of the Special Loan Rules was contrary to the avowed objects of the Loans Acts and could not be effected. In view of the limited amount allotted annually for distribution in loans, Government emphasised the fact that it was their policy to see that the distribution of the amount should be restricted to assisting those for whom assistance was originally intended, viz., the small cultivators.

9. One of the difficulties experienced in the working of the Act has been the uncertainty as to interpretation that should be given to certain expressions in section 5 of the Act, which defines the industries which may be aided under the Act. According to this section they should be such as (1) have an important bearing on the economic development of the country and (2) should be (a) new or nascent industries or (b) industries to be newly introduced into areas where such industries are undeveloped or (c) cottage industries. It would be difficult to lay down any principle on which an industry could be ruled out as not having an important bearing on the economic development of the country. It was considered that the primary aim should perhaps be to develop industries which aim at the conversion and working up into manufactured or semi-manufactured form of the agricultural, forest or mineral wealth of the province. Any attempt, however, to define industries in these terms or to compile a list of such industries would purely be empirical and would require addition and subtraction from time to time so that the tentative proposal to prescribe a list of industries which might be assisted on this ground was not proceeded with. The question whether an industry is new or nascent has to be considered together with the question whether it is to be newly introduced in an area in which it is undeveloped. For example, it could not be maintained that cotton-ginning is a new or nascent industry in the province viewed as a whole. It is or will be however an undeveloped industry in some areas of the province in which cotton is grown. The definition of the word 'area' occurring in section 5 (i) (b) also gave rise to some difficulty. In the case of one application dealt with in the early stages of the Act the Advocate-General interpreted the term to mean only a district. The term, however, appears to be general in signification and may be held to cover a group of districts or a territorial unit smaller than a district, e.g., a taluk. In the view of the department, however, it would be inadvisable to frame rules to define clearly the industries which may be assisted under section 5 of the Act and it was considered preferable to leave the terms to be interpreted by the board in each case having regard to the peculiar conditions of the industry for which assistance is sought. These views were put before the Board of Industries when the board resolved unanimously that it should be left to the board to decide whether an industry applying for State aid fulfils the test suggested by the question whether an industry has an important bearing on the economic development of the country, on the merits of each case and with reference to the conditions which obtain in this Presidency, the guiding principle being that the industry should be one which aims at converting the agricultural and mineral wealth of the country into industrial wealth, encourages manufacture in and augments the industrial prosperity of the country. The board also considered that it would be inadvisable to define the industries to be assisted in set terms or to compile a list of such industries as have an important bearing on the economic development of the country which may be assisted on this ground and to refuse assistance to any others. The decision as to whether an industry can be considered as a 'nascent' industry within the meaning of section 5 (i) of the Act should, the board considered, be determined by the board on the merits of each case having regard to the conditions of the industry for which aid is sought. The board further considered that the question of the interpretation of the terms 'undeveloped'

and 'area' occurring in section 5 (i) (b) of the Act should also be left undefined and decided by the board on the facts and circumstances of each individual application. The board also approved the definition of a 'cottage industry' put forward by the department, viz., 'Industries carried on in the homes of the workers as distinct from those carried on in factories' and considered it inadvisable as well as unnecessary to draw up a list of cottage industries which alone would be eligible for assistance under the Act. In passing orders thereon Government agreed with the views of the Department of Industries and the board that it would be inadvisable to lay down any precise definition of the expression occurring in section 5 (i) of the Act, but observed that the question whether an industry is a 'nascent' industry within the meaning of clause (a) of the section should be considered with reference to the condition of the industry in the Presidency as a whole, that the word 'areas' in clause (b) should be considered with reference to the conditions of development of any particular industry, such as availability of raw material, labour, capital and markets and that the term 'cottage industries' used in clause (c) should be taken to refer only to industries carried on exclusively for the benefit of, and by, workers in their homes and not to industries carried on for the benefit of middlemen, though the workers happen to work not in factories but in their own cottages. The effect of restricting the applicability of the term 'cottage industries' in this way has been to preclude the grant of loans under the State Aid to Industries Act to several of the deserving and struggling cottage industries, including the handloom weaving industry, which are greatly in need of extraneous financial aid. As the handloom weaving industry is at present organized, it is not possible to eliminate entirely the middlemen, and the organization of co-operative societies for the benefit of the weavers is not in most cases possible without accepting the membership of, and capital contributed by, middlemen. The existing definition was examined recently by the Cottage Industries Committee who resolved that Government should be moved to relax the definition by deleting the word 'exclusively' now appearing in the first line and dropping the latter portion of the definition after the word 'homes.' There is little doubt that, as the definition stands at present, the Act is deprived of a good deal of its potential usefulness.

10. The question of amending the Act with a view to exempting cottage industries and industries with a capital outlay not exceeding one thousand rupees from the operation of certain sections of the Act received consideration in 1927-28. Although the State Aid to Industries Act had at the time been in force for a period of five years, very few applications for aid to cottage and small scale industries had been received. As this paucity of applications was attributed, at least to some extent, to the restrictive nature of section 9 of the Act limiting the maximum amount of aid to 50 per cent of the assets, and also to the requirements under the Act by which these individuals had to maintain detailed accounts, to render several returns and statements and to subject them to the audit of auditors approved by Government, it was considered desirable to exempt small scale industries and cottage industries from the operations of sections 9, 10, 11 and 14 of the Act. A Bill to amend the Act was therefore drawn up and passed by the Legislative Council in September 1928 and received subsequently the assent of the Governor and the Governor-General. The new law framed to govern the grant of aid to such concerns provides that every loan or the guarantee of a cash credit or overdraft or fixed advance with a bank shall be secured by—

(i) A mortgage or floating charge upon the whole of the assets of the business or enterprise or cottage industry, or

(ii) a mortgage or floating charge upon the other assets belonging to the applicant, or

(iii) a mortgage or floating charge upon the assets of the surety or sureties of the applicant, or

(iv) the personal security of the applicant or the joint personal security of the applicant and one or more persons, up to the extent of Rs. 500 provided that such security shall ordinarily be taken as collateral security only, or

(v) a combination of the forms of the security mentioned in sub-clauses (i) to (iv).

11. The development of industries in the Madras Presidency, as has been pointed out before, is likely to be chiefly in the direction of converting and working up into manufactured or semi-manufactured form the agricultural and forest produce of the province and there would appear to be considerable scope for the establishment of industrial co-operative societies for the purpose on the lines of the Kallakurichi Co-operative Agricultural and Industrial Society. The formation of co-operative societies of this character should enable a ryot to obtain a better price for his produce. It was hoped that the State Aid to Industries Act would stimulate the establishment and development of well-organized co-operative societies, but the only loan so far granted has been to the society mentioned. An application was received from the Tindivanam Co-operative Agricultural and Industrial Society for the subscription by Government for shares to the extent of Rs. 15,000 for the development of the industries carried on by the society of which the most important is bone disintegration, but Government were unable to sanction the aid applied for as they were advised that Government could not become a member of a co-operative society registered under the Co-operative Societies Act, 1912, and subscribe for its share capital. The paucity of applications for loans from industrial co-operative societies may perhaps be attributed to the restrictive character of section 5 of the Act. There are probably many areas in which there is scope for the establishment of industrial co-operative societies, but where assistance under the Act cannot be granted owing to the fact that the industry cannot be classed as a new or nascent industry or an industry to be newly introduced into an area where such an industry is undeveloped.

12. That the restrictive character of section 5 of the Act does limit the number of applications for assistance under the Act is beyond doubt and there appears to be a feeling in some quarters that the Act should be liberalized to admit of the grant of assistance to established industries, or even to set up additional mills and factories, e.g., cotton mills at Madura, even though they may not be new or nascent industries or industries to be newly introduced into an area where the industries are undeveloped. There is no doubt a good deal to be said for this point of view, having regard to the industrial position of the Presidency, but there is also something to be said against it. For, while it may often be as advantageous (and incidentally involve less financial risks) to assist established industries to expand and develop, as to finance the starting of new industries, the possibilities of which may to a great extent be problematic, yet if clauses (a), (b) and (c) of section 5 (i) of the Act were abrogated, there would be the possible danger that State credit would be utilized for providing funds for enterprises which could not on their own merits command the support of private capital. What is however more important perhaps is that there would be the danger of supplying credit to one concern at the expense of another and it would be necessary to consider carefully the conditions under which the industries at present debarred from assistance could receive consideration. It would obviously not be easy to impose conditions, which while enabling assistance to be granted to a wider range of industries, would at the same time not expose Government to the criticism that they were interfering with private enterprise. In the conditions obtaining in Southern India, it certainly seems desirable that, subject to certain reasonable conditions, the State should intervene to promote industrial development where this can be effected without coming into conflict with established enterprise and in the absence of industrial banking facilities probably the best means of so doing would be by introducing a more liberal Act or modifying the objectionable clauses of the present Act. The Act will not have fulfilled its object of promoting industrial development unless reasonably sound enterprises, which in the ordinary course are unable to command the requisite capital for their development, can have resort to it. It cannot be claimed that during the period the Act has been in force it has been successful in stimulating industrial development to any appreciable extent, and certainly the results have not so far fulfilled expectations. This may be attributed in greater or less degree to imperfections in the Act itself or the rules framed under it and in particular to the restrictive character of section 5 of the Act and to the present definition of 'cottage industries' which must necessarily restrict the scope of the assistance that can be rendered under the Act to the handloom weaving and other cottage industries. On the other hand it

is possible to see in the paucity of applications for loans an indication that the difficulties in the way of industrial development in this Presidency are not entirely financial in character.

13. The direction in which it is thought that the present Act might suitably be modified will now be briefly referred to.

(a) It seems desirable, as already shown, that the present definition of 'cottage industries' should be relaxed so as to permit of the grant of loans to cottage industries carried on by workers in their own homes even though the middlemen stand to benefit in greater or less degree by the cottage workers' labour. It would seem preferable to do away altogether with the present definition and adopt the definition of cottage industries originally approved by the Board of Industries, namely, 'industries carried on in the homes of the workers as distinct from those carried on in factories.'

(b) Under section 9 of the Act, no loan can be granted of an amount exceeding 50 per cent of the net value of the assets of the industrial business or enterprise after deducting existing encumbrances. The main object in fixing the proportion of the amount of the loan admissible under the Act to a percentage of the net value of the assets of the industrial business is to discourage application from persons who have shown no proof of serious effort on their part by contributing some capital of their own to the enterprise. It is considered, however, that the proportion of 50 per cent as embodied in the present Act is unnecessarily high although it would not, on the other hand, be advisable to remove in its entirety the present restriction and encourage an applicant to rely for all the money required for a new enterprise on Government assistance. A Bill has therefore been drawn up further to amend the Madras State Aid to Industries Act with a view to rendering it possible for aid to be granted to applicants of an amount of loan equal to the net value of the assets of the industrial business or enterprise. It is hoped that this modification of the Act will result in the receipt of an increased number of applications for assistance under the Act.

(c) Under section 9 of the Act as proposed to be amended, however, the grant of loans can only be made of an amount equal to the net value of the assets of the industrial business or enterprise after deducting existing encumbrances, even though the applicant may be able to furnish substantial security and establish the need for more liberal help from Government. Moreover, there may be cases in which new industries have no assets at their inception, in which case they would not be eligible for financial assistance under the Act. There have in fact been a number of applications which have had to be refused on the score of their having no assets (industrial) at the time of applying for aid. In order therefore to provide for new industries, which have no assets of their own at the time of their inception, and to enable assistance under the Act to be given on a more liberal scale, section 9 of the Act would have to be modified still further so as to take into account in fixing the amount of the loan either the net value of the assets of the enterprise or business or of any immovable property offered as security or of both, as the circumstances in each case may require.

(d) Allusion has already been made to the desirability of having power under the Act to assist existing industries where this could be done without coming into conflict with already established private enterprise, and so enable reasonably sound enterprises, which in the ordinary course are unable to command the requisite capital for their development to have recourse to the Act. This object could be attained by amending the Act so as to include an additional clause under section V (i) as follows:—

'In exceptional cases old and established industries.'

Section 5 (3) of the Act would seem to empower Government to decide whether or not a particular case could suitably be treated as exceptional under the above section of the Act.

(e) It would make for expedition in the disposal of applications for loans of comparatively small amounts if the Director of Industries could be empowered to sanction State aid in the form specified in clause (a), section 6 of the Act, of an amount or value not exceeding in respect of any one individual business or enterprise ten thousand rupees. The Director of Industries is already empowered under the Special Loans Rules to grant loans up to Rs. 10,000 and there seems no valid reason why he should not

be given similar powers under the State Aid to Industries Act, particularly as applications would have to be placed before the Board for their consideration before they could be granted.

14. I have no reliable information in regard to the question of rural credit facilities in general or the financing of cottage industries in particular. The Special Officer for the Survey of Cottage Industries did not apparently make any study of the question of rural finance or express any views in regard to it. In fact there appears to be complete absence of reliable information on the subject and the data required can only, I consider, be collected by intensive enquiries in selected rural and where necessary urban areas by persons with an extensive local knowledge of the people, their occupations and how they are carried on. This seems to have been recognised by the Government of India who suggested that the Provincial Committee should conduct intensive surveys of one or two selected districts or areas in each province, and a general survey of the conditions in the province as a whole in regard to agricultural and small scale industries allied and supplemental to agriculture with special reference to the question of finance. The object of the intensive survey would be to acquire a knowledge of the conditions, existing facilities and requirements of the rural population.

APPENDIX.

Loans granted under the State Aid to Industries Act up to 1st January 1930.

Serial number and name of borrower.	Amount of loan sanctioned.	Purpose for which loan was granted.
	RS. A. P.	
1. Messrs. Muppana Somaraju and Veeraju, Peddapuram.	50,000 0 0	The development of their silk factory so as to permit of the preparation, twisting and dyeing of silk for handloom weavers.
2. Messrs. The Carnatic Paper Mills, Limited, Rajahmundry.	(a) 4,00,000 0	The development of their paper mills at Rajahmundry.
	(b) 30,000 0 0	
	(c) 20,000 0 0	
	(d) 9,000 0 0	Item (b) represents amount paid in discharge of a guaranteed overdraft; the other amounts represent loans granted subsequently.
	(e) 5,000 0 0	
	(f) 7,000 0 0	
	(g) 6,462 15	
	(h) 1,50,492 5	
	(i) 21,260 3 8	
Total ..	6,49,215 8 0	
3. The Canara Rice and Saw Mills, Limited, Coondapur.	9,600 0 0	The purchase of a vertical band-saw.
4. Mr. D. Rangaswami Nayudu, proprietor, the Andal Mills, Gudiyattam.	5,000 0 0	The setting up of two cotton gins.
5. The Kallakurichi Co-operative Agricultural and Industrial Society, Limited, Kallakurichi.	18,600 0 0	The development of the industries carried on by the Society, viz., groundnut, decortication, rice hulling and sugarcane crushing.
6. Mr. Muthyala Seenappa Ramanna, Bellary.	20,000 0 0	The provision of working capital for his safety match factory at Bellary.
7. The Zamindars of Belgam, Parvatipuram.	11,000 0 0	Development of their pyrotechnic match factory.
8. The Salem Dye Works Syndicate, Limited, Salem.	10,000 0 0	To clear off liabilities.
9. The proprietors of the Ram Ram Safety Match Factory, Tholampalayam.	500 0 0	The provision of working capital and development of the factory.

7,73,915 8 0

**Written evidence of L. W. THOMPSON, Esq., B.A., Income-Tax
Officer, Coimbatore.**

Owing to the public interest taken in banking in India and in the Enquiry Committee that is touring about at present and with special reference to the indigenous banking industry I would like to bring forward these observations for your consideration in case you should think that they may be of use to the Banking Enquiry Committee.

Coimbatore is rather peculiar in having an enormous number of small limited companies or *nidhis*. There are altogether at present about 125 companies in this circle with a total subscribed capital of about 70 lakhs and with fixed, current and other deposits of about 15 lakhs and this I think is far and away above anything similar in any other districts in India. The remarkable fact is that almost all the shareholders are small agriculturists, coolies, cartmen, mill employees and the poorer classes of the community. These people have been encouraged to save money and invest it in these companies. Previously these classes would either squander their income, uselessly hoard their savings, or lend it out to professional borrowers who had no intention of repaying the money, so that about 90 per cent of such loans became irrecoverable, and owing to their ignorance and want of education they lost their savings and thrift was not encouraged, because they did not know what to do with their money when saved. These numerous *nidhis*, therefore, most certainly encourage the habit of thrift which is one of the points which the Government have so much at heart. The *nidhis* also in addition perform a very useful service when properly conducted. They finance the smaller classes of merchants, rates of interest charged by them are reasonable and they certainly constitute a great asset in any industrial and commercial district. Those which are properly conducted are in a flourishing condition and show increasing business from year to year. Unfortunately, however, owing to the confidence previously engendered in the public numerous other *nidhis* have sprung up which are not properly conducted. The banks' secretaries or managers concerned have been running this type of *nidhi* purely for their own personal profit. They get money from the confiding shareholders and instead of investing it to the best advantage, they make loans to people of no standing and to their relatives or other friends, and in a few years' time the *nidhi* has to go into liquidation owing to its being unable to recover the loans advanced. These failures, which have been increasing in number in the last two or three years are beginning to shake the confidence of the investing public so that even the well-conducted *nidhis* are feeling the effects and the prospect of fresh *nidhis* being formed are greatly jeopardised. The Registration department exercises no proper control and although there are numerous instances where prosecution is called for and is desirable in the public interest they go scot-free because there is nobody to take the matter up and hold the necessary investigation. The shareholders are either too ignorant or too poor to move in the matter and the directors are close friends or relations of the secretary. It seems, therefore, very necessary in the interests of the commercial prosperity of this district and ultimately of Government revenues, that greater control should be exercised over these *nidhis*. Otherwise in a few years' time there will be no *nidhis* in this district and not only will the Government revenues suffer, but also what is much more important the habits of thrift will once again disappear and the poorer classes will relapse into their former apathetic and improvident ways and the general prosperity of the district as a whole is bound to suffer. Before such a catastrophe happens a careful enquiry should be made and the confidence of the lower class investing public restored. As an indication as to how much ahead this district is in comparison with other districts, it is interesting to note that there are three new spinning and weaving mills in the course of contemplation and the money for these mills will be found almost entirely in this district and although a number of shareholders will be drawn from the wealthy and landlord classes, yet much the more numerous shareholders will be drawn from agriculturists, mill employees, coolies, cartmen, etc. I do not think that this fact is generally appreciated, but it constitutes a great asset and in consequence the matter should receive more attention from Government than it has done in the past.

**Written evidence of M.R.Ry. N. K. SIVARAMA AYYAR Avargal,
B.A., B.L., Income-Tax Officer, Tinnevely.**

11.—Indigenous banking.

Note.—The Tinnevely circle comprises the taluks of Tinnevely, Ambasamudram, Tenkasi and Nanguneri in the Tinnevely district. The indigenous bankers in Tinnevely town are about 22 in number, while the bankers in the rural parts of the circle are about 10 in number.

1. The functions of an indigenous banker are:—

- (1) Receiving deposits current or fixed,
- (2) lending money to traders or others, and
- (3) drawing hundis.

2. All the bankers in this circle assist in financing trade. The bankers assist traders in the purchase of chillies, paddy, pulses, jaggery and other articles, these articles being exported to Travancore, Colombo and Madras. In this circle, brass vessels are manufactured on a large scale for export to other parts of the Presidency, and weaving of cloth is also carried on on a large scale for export to Travancore and Ceylon. The bankers assist these industries also.

I am unable to give an easy answer to the question as to how far the indigenous bankers, as defined in the headnote to part II of the questionnaire, assists agriculture. The agriculturist who requires money for carrying on agricultural operations in the shape of purchase of manure, live-stock, etc., or who requires money for payment of land revenue, or for maintaining himself during the period when the crop is standing on the land, does not, generally speaking, resort to the indigenous banker. The reason is that the agriculturist who requires money for the purposes mentioned above cannot afford to pay the rate of 12 per cent on the average, which generally prevails among the indigenous bankers. He generally resorts to the rural money-lender who lends money at a rate varying from 9 per cent to 12 per cent. There are however, big landowners owning vast landed estates, who resort to the indigenous banker for putting through large transactions in the shape of purchase of lands, for instance, or for meeting the heavy expenditure involved on such occasions as marriages. Sometimes, the borrowing is the result of extravagance or waste. These persons pay a rate of 12 per cent on the average. I do not think that persons borrowing for the purposes just mentioned can be considered as borrowing for agricultural operations. I also understand that these persons resort to the indigenous banker, in order that there might be an element of secrecy in their money-lending transactions. A part of the money borrowed by these big landowners is sometimes lent to tenants who cultivate their lands. It is only in this indirect way that the indigenous banker may be said to assist agriculture. There is a disinclination, if not a positive aversion, on the part of the indigenous banker to have dealings with the ordinary landowners in villages, even if they offer to borrow at high rates of interest. The money advanced to ordinary landowners can only be realized at the time of harvests, and the indigenous banker who is not on the spot experiences considerable difficulty in recovering the loans made to such persons. If he misses the psychological moment when the ordinary landowner sells his produce, his chance of recovering the money advanced is put off to the next harvest season.

3. The following table will furnish information as regards questions (a), (b) and (c):—

Name of circle.	Number of bankers.	Capital estimated to be employed.		estimated interest.	Expenses incurred in earning that interest.	
		Own capital	Borrowed capital.		Interest on deposits and on other borrowings	Other expenses such as establishment, rent, and bad debts.
		RS.	RS.	RS.	RS.	RS.
Tinnevelly—						
Urban ..	22	23,40,000	50,10,000	6,00,000	3,50,000	1,10,000
Rural ..	10	10,50,000	13,50,000	1,90,000	1,20,000	30,000

As regards question 3 (d), an indigenous banker has frequent transactions with similar indigenous bankers. So far as I am aware, he does not have transactions with the co-operative banks. The bankers in Tinnevelly have also transactions with the Imperial Bank, Tinnevelly branch, and with the South India Bank, Tinnevelly, which is the premier joint-stock bank in the district.

4. Only some bankers deal in hundis. But almost every banker receives deposits and issues passbooks to the depositors. When money is lent, either a promissory note is taken from the party, or a passbook issued. The latter procedure is adopted as a convenient method for recording the frequent transactions between the banker and his customer. I am dealing with the passbook of this type more fully in my answer to the next question. I enclose sample copies of hundis (enclosures A and B), and passbooks (enclosure C) used in this circle. Some bankers also use fixed deposit receipts, vouchers, and chalans (enclosures D, E, F, G and H); but these are not common. The elaborate forms in use in joint-stock banks are not adopted by indigenous bankers.

5. (a) As mentioned above, the bankers' dealings are mainly with traders. There are instances in which loans are made to traders on separate promissory notes. This is done when repayment of the loan is expected after the lapse of a fixed period, or when frequent transactions are not contemplated. But the more common type is the advancing of loans to traders on passbooks. This may be said to represent the system of cash credits. As the transactions with traders are generally frequent and numerous, it is convenient both to the banker and to the trader to have each transaction recorded in the passbook. The first entry in the passbook bears the signature of the party who borrows money and also bears the appropriate stamp. But subsequent transactions are not stamped, stamps being affixed only when the account is settled and interest adjusted. So far as the form and the headings of the passbook are concerned, there is no difference between the passbook issued to depositors, and the passbook containing the transactions with customers who borrow money from the banker. The difference is as regards the first entry in the passbook, which will show either that a sum is deposited with the banker or that a sum is lent by the banker. The legal effect of the loan recorded in the passbook seems to be the same as that of a separate promissory-note. As a matter of fact, the first entry in such a passbook often embodies the terms in a promissory note, namely, the repayment of the amount on demand to the banker or order. Execution of mortgages by borrowers is rare. The banker does not wish to have his money tied up in a mortgage. He takes a mortgage, only when he considers that the financial position of his customer is not sound, his object being to rank as a secured creditor in any insolvency proceedings which may follow. The banker does not insist on joint promissory notes. I understand that the South India Bank, Tinnevelly, generally insists on joint signatures to promissory notes. This seems also to prevail in the Imperial Bank. As regards the rate of interest, I should first speak of what is known as the Tinnevelly bazaar rate of interest, which prevails in respect

of transactions between one banker and another. It varies from month to month. The higher rate in some months is due to there being more demand for money in those months. The particulars of the Tinnevely bazaar rate are given below :—

Tamil month.	Corresponding English month.	Rate of interest.
Avani ..	16th August to 15th September ..	11 annas or $8\frac{1}{2}$ percent.
Purattasi	September to 15th October ..	9 " " $6\frac{1}{2}$ "
Arpisi ..	October to November ..	8 " " 6 "
Karthigai	November to December ..	8 " " 6 "
Markali ..	December to January ..	11 " " $8\frac{1}{2}$ "
Thai	January to February ..	14 " " $10\frac{1}{2}$ "
Masi	February to March ..	1 rupee " 12 "
Panguni	March to April ..	1 " " 12 "
Chitrai	April to May ..	1 " " 12 "
Vaikasi	May to June ..	14 annas " $10\frac{1}{2}$ "
Ani	June to July ..	13 " " $9\frac{1}{2}$ "
Adi	July to August ..	12 " " 9 "

The rate of interest payable on loans is not uniform throughout the year, and it also slightly varies from banker to banker. It is sometimes stipulated that the rate of interest should be in excess of the Tinnevely bazaar rate, by 2 to 4 annas, the rate for a particular month being determined by adding 2 to 4 annas to the Tinnevely bazaar rate for that month. The average rate of interest generally comes to 12 per cent throughout the year. But a few bankers lend at the rate of 9 per cent from 16th August to 15th January, and at 12 per cent from 16th January to 15th August.

5. (b) The indigenous bankers provide themselves with funds both from own capital and from borrowed capital. The borrowed capital is raised by taking deposits and by borrowing from other indigenous bankers and from joint-stock banks, such as the South India Bank and the Imperial Bank. The borrowing from South India Bank and Imperial Bank is not so common as the borrowing from other indigenous bankers. The proportion of own capital to borrowed capital varies from bank to bank. In the case of only four or five banks the own capital is more than the borrowed capital. In the case of all other banks, the borrowed capital is larger than the own capital. In some cases the borrowed capital is about 6 to 8 times the own capital. Excepting deposits from customers, the main source by which the borrowed capital is raised is by one indigenous banker borrowing from another indigenous banker. To facilitate easy dealings between one indigenous banker and another, moneys pass from one banker to another without much formality in the shape of writing. Each banker maintains a book which records only transactions between himself and other bankers. The book is called "கடைத்தெருவு கையெழுத்து புஸ்கம் (the bazaar signature book). A banker who is in need of money goes to another banker, and takes money from him by recording the transaction in the bazaar signature book maintained in that bank. He simply writes the date, the name of the banker who borrows, the name of the person to whom money is actually paid, and the amount borrowed (in words and figures), but there is no formal signature by the banker borrowing, nor stamp. The rate of interest is not mentioned, for the Tinnevely bazaar rate for the particular month applies. The rate of interest is specifically mentioned, only when the banker borrows at a rate lower than the Tinnevely bazaar rate.

5. (c) The rates of interest for current and fixed deposits vary from banker to banker. But the rates generally prevailing are as follows :—

Current deposits—January to June $4\frac{1}{2}$ per cent.
 July to December 3 "

Fixed deposits—6 to $6\frac{1}{2}$ per cent throughout the year.

6. I have stated in my answer to question 2 above that the agricultural community do not generally resort to the indigenous banker, and that they borrow money from the rural money-lender. The rate of interest that they pay to rural money-lenders is 9 to 12 per cent. They also borrow from co-operative societies in villages. There is no doubt that the reduction of the rate of interest will confer great benefit on the agricultural community. It seems to me that the rates of interest could be brought down by the establishment of agricultural banks, which should get

facilities for borrowing at lower rates than are prevalent in other banks. The richer classes among the agricultural community should be persuaded to lend money to such banks at lower rates. I found some members of the agricultural community having large deposits in indigenous banks. Establishment of agricultural banks in rural parts will attract such deposits. The popular demand is that the Government should also lend money to such banks at lower rates of interest. But public funds are being employed in an increasing measure on capital undertakings which have for their object the improvement of agricultural conditions, and it is doubtful if the very large sums that will be required for financing agricultural banks throughout the country can be easily found by the Government. The establishment of separate banks for agriculturists and the supervision of their operations by the Government, with a Government guarantee for the debenture bonds issued by such banks, will lead to flow of large deposits to such banks, and thus tend to the reduction of rates of interest paid by agriculturists.

7. There is no prejudice against the indigenous bankers. As far as I am aware, the dealings of indigenous bankers with their clientele are conducted on sound lines. Bankers complain that their customers have more recourse to the provisions of the insolvency laws at present than in the past. It is possible that in certain cases customers seek the protection of insolvency laws with a view to commit fraud. But the trader also requires protection when his financial position is prejudicially affected by adverse trade conditions. But an undue restriction of the facilities granted to debtors for seeking the protection of insolvency courts is likely to affect the general trade. Some of the bankers whom I have consulted suggest a reduction of the fees for obtaining encumbrance certificates, and the extension to the districts of the system of equitable mortgages which are now prevalent only in the Presidency towns. The bankers experience some difficulty in the matter of the production of their accounts in court. Books filed in court are not generally returned till the disposal of the suit. The extension to indigenous bankers of the facilities granted by the Bankers' Books Evidence Act and permitting such bankers to file in court certified copies of ledger accounts or of entries in their books would afford them considerable relief.

8. A provision for the compulsory registration of all indigenous banks would enable them to be more serviceable to the community. Before such banks commence business, they should be required to file a statement before an officer of Government giving particulars of their capital and of the place or places where they propose to carry on their operations. Such a provision is also necessary in the interests of the depositor who seeks to deposit his money in the banks. If depositors instead of having a vague idea of the stability of a banker are able to ascertain the capital of a bank from the records of a public office, they will be inclined to deposit their money in banks more readily than at present. Registration of banks would enable the banks to command more deposits, which they could make available for lending to traders at lower rates of interest than are now prevalent. I find that the interest paid by bankers on their borrowed capital comprising both deposits from customers and borrowings from other indigenous bankers and from joint-stock banks, is 7 per cent on the average. I should think that if they are able to get larger deposits, they would not have to pay 7 per cent on their borrowed capital, and paying a lower rate on borrowed capital should necessarily bring about a reduction in the rate of interest at which they lend to their customers.

9. The question as to the net return to the indigenous banker on his capital can be satisfactorily answered, only by taking into consideration the own capital as well as the borrowed capital of the banker. The statistics gathered by me show that the gross interest received by a banker is 8 per cent on his own capital and borrowed capital combined. It will be seen that this rate of interest is lower than the average rate of 12 per cent mentioned by me above. This seems to be due to the fact that the capital of a banker cannot be employed throughout the year. The interest paid by the banker on his deposits and other borrowings is 7 per cent on the borrowed capital. All other expenses such as establishment charges, rent for business premises, travelling expenses and bad debts come to about 1½ per cent on the total capital, comprising both own capital and borrowed capital. As regards interest on borrowed capital and expenses, there is a

difference between the indigenous banks in Tinnevely town and the indigenous banks outside Tinnevely town, such as those at Veeravanallur, Kallidaikurichi and Ambasamudram. The latter banks have to pay a greater rate of interest on their borrowed capital, owing to their receiving less deposits than the banks in Tinnevely town. As regards expenses such as establishment charges, rent, etc., the banks in Tinnevely town incur a little more expenditure than the banks outside Tinnevely town. This is due to the fact that the scale of salaries of clerks and the rent for business premises are higher in Tinnevely town. I shall take the case of a banker with own capital of 1 lakh and borrowed capital of 4 lakhs. The net return has to be determined as follows:—

	RS.	RS.
Gross receipts—8 per cent on total capital,		
viz.,		40,000
Deduct—		
Interest on borrowed capital, viz.,		
Rs. 4,00,000, at 7 per cent	23,000	
Expenses on Rs. 5,00,000 at 1½ per cent ...	7,500	
		<u>35,500</u>
		4,500

This results in a net return of 4½ per cent on own capital. If, on the other hand, the proportion of own capital to borrowed capital is larger, the net return per cent on own capital, will also be larger.

10. There are occasions when an indigenous banker refuses to grant loans to a customer whose financial condition is not sound. But money is never refused to a customer in a sound financial position. The indigenous banker can always meet the demands of approved customers by raising money from other indigenous bankers or from joint-stock banks.

11. The establishment of a branch of a Central Reserve Bank or of a similar institution would enable indigenous banks to borrow at lower rates than at present. It will also enable them to deposit money with such banks when it is not needed by themselves, receiving nominal rates of interest, say 2 or 3 per cent. One of the means for avoiding the competition of such an institution with indigenous banks is by its giving on the deposits of its customers lower rates of interest than are given by indigenous bankers.

12. There are occasions when owing to the slackness in trade the indigenous banker is not able to employ his money throughout the year. For instance, there will not be a great demand for money from the 16th August to 15th January. On such occasions money is lent by one banker to another at a lower rate of interest, say at a rate of 2 annas less than the Tinnevely bazaar rate. In the case of Nattukottai Chetti bankers, they send money to such places as Rangoon. In the dull season, the bankers do not require the immediate return of money lent by them. They sometimes stipulate that though the money is lent ostensibly on a promissory-note, it is payable only after the lapse of a fixed period. This stipulation is recorded in a separate varthamanam letter taken from the customer. I do not think that owing to the non-employment of money throughout the year, there is any large flowing of the money to the provincial capital, except in the case of Nattukottai Chetti bankers mentioned above. There are only about half a dozen such bankers in this circle.

**Written evidence of Mr. D. N. SABAVALA, Income-Tax Officer,
Fourth Circle, Madras.**

I .

Monograph on a Marwari banker.

As Jews have been in Europe, so have Marwaris been from ancient times the money-lenders in the State. They have controlled the finance of the country for good and evil. By nature they are thrifty and are endowed with a keen sense of business acumen. They can roughly be grouped under two chief heads—

(1) Those who mainly lend money on the security of jewels, old vessels, clothes, etc.

(2) Those who lend to their caste brethren on the repledge of such securities, and who also finance the trade of the country to a limited extent through negotiable instruments.

Dilating on Class I we find that this type of Marwari sets up business of his own after putting in a period of apprenticeship with the older firms. He has very little own capital. He begins by lending money say from annas four to Rs. 25 to the poor and needy classes like workshop coolies, low-paid Municipal and Railway employees, clerks, etc. The rates of interest vary from 18 to 150 per cent. If a man borrows Rs. 2 on vessels or old clothes the rate charged is annas 4, i.e., 150 per cent. If he borrows Rs. 3-8-0 (a pagoda) or multiples of pagodas on jewellery the rate is anna one a pagoda or 28½ per cent. If he borrows Rs. 25 or multiples of Rs. 25 the rate of interest is 18 per cent.

He maintains his books on a single entry basis and does not open separate accounts for each debtor but groups them under heads according to the amounts lent. As and when these debts are liquidated he squares off the accounts by inserting the relative dates against their names. More adventurous amongst them also start a little business of lending money on personal securities. But as the risks attendant on this class of business are great the rates charged are usurious, say, anything between 18 to 50 per cent.

With the increase in capital he turns his directions to middle classes to whom he lends money on the security of ornaments and property. Here the rates are lower, between 9 to 15 per cent. The working capital say anything between Rs. 5,000 to Rs. 50,000 comprises a part his own and a part borrowed from Sowcar Marwaris at rates from 8 to 12 per cent on repledge of mortgaged ornaments. The working expenses are meagre, say one or two gumastas earning Rs. 200 to Rs. 300 per year with free board and lodging, roughly about Rs. 500 messing charges, rent Rs. 300 and sundry expenses Rs. 100. The net percentage earned by this class of Marwari is between 15 to 25 per cent.

If the debt is not redeemed for a considerable time the mortgaged articles are disposed of in a public auction or transferred to a separate account in the books and sold gradually. On this he is said to make a clear profit of 20 to 30 per cent.

This class of Marwaris has earned a bad reputation in the city both on account of usurious rates charged by him as also for certain malpractices which often come to light when the case reaches its final stage in a Court of law.

It is customary with him to deduct interest at the time of advance. Marwari is a benefactor in his own way. It is to him alone the needy can turn his eyes as a last resource when all avenues of help are shut out. With the better sort of Marwaris the dealings are usually fair and straight and when the security is safe the rate charged is correspondingly low. This class of money-lenders raise all its capital at Madras. He has no credit at Marwar.

One advantage of local borrowing is that the banker is able to return the surplus capital in times of slack season, and thereby reduce his overhead interest charges whereas sums borrowed at Marwar are usually for stipulated periods only.

With regard to the method of keeping accounts his relations with borrowing public are on cash basis whilst with his own castemen, mercantile system of accounting usually prevails.

2. This type of Marwaris almost resembles the Multani in his dealings with the customers. But he differs in that he does not re-discount his hundis with joint-stock banks and generally advances money on pro-notes. His idea is investment. It is because of this that in slack season when the capital is lying idle the Marwari is tempted to advance further sums even on flimsy securities. The outcome is a portfolio of doubtful debts which ultimately has to be written off as bad. This state has put a set back to the enthusiasm and the rather speculative spirit of this class of bankers and there is a growing tendency to migrate to other places in the Presidency like Tenali, Bezvada, etc., where credit still holds good.

The rate of interest charged to merchants is from 12 to 18 per cent.

The working capital is about half own and half borrowed mostly in Marwar where cheap rates from 4½ to 7 per cent prevail, from want of sufficient local employment of funds.

By temperament the Marwari is conservative and forms an exclusive group.

His wants are few.

The paterfamilias spirit is still in existence and disputes amongst the class are generally referred to the elders whose award is binding.

As stated previously this class acts as banker to his own castemen who do business in pawnbroking. The rates on such repledge of ornaments are between 8 to 10 per cent.

The relations between a Marwari banker and his gumastas are cordial. The latter practically control the whole business, the proprietor being in most cases an absentee at Marwar. The gumasta truthfully conducts the business and always has the interest of his proprietor at heart; very rarely do we hear of a case of defalcation by a Marwari employee. The employer reciprocates the sentiment, for, after the gumasta has served for a number of years he allows him to start a separate business of his own and helps him by lending money on moderate rates of interest. This is how Marwari bankers multiply. Marwari bankers have very rarely any dealings with joint-stock banks. They hardly ever open deposit accounts with them. Their method of doing business is rough and ready and so could not appreciate nor have patience enough for the elaborate machinery and the legal formality that are generally observed in a joint-stock bank, before a business is transacted.

Their doors are practically open all the 365 days in a year and for a business man access could be had to them at any odd hour.

A Marwari concentrates his attentions to towns and cities. He rarely migrates to villages. Consequently he is not of much help to agriculturists at the time the crop is ready to be moved.

II

Monograph on Multani banker.

The Multani banker acts as a middleman between a joint-stock bank and a trader. He hails from Sind. Coming from an enterprising class of people, he has spread about almost all the towns and cities in India. He deals in hundi paper and generally lends money on personal security. Whenever a trader is in need of money to finance his goods, he approaches a Multani banker. If the man is not already on the lists he will institute outside

enquiries, and if satisfied, as to the financial stability and integrity of the customer he will ask him to draw up the paper. The hundis are generally drawn for 30, 60 and 90 days and rarely for 120 days. The Multani charges interest between 9 and 15 per cent which he deducts in advance. On his own side, he has his limit fixed with the bank up to which amount he can transact business at any one time. This limit is fully utilized during the busy season. He believes in rolling money and consequently the volume of business done by him in a year is about 10 times his own capital. In slack season when money is returned, he does not keep it idle in his coffers but loans it out to Nattukottai Chettis at low rates of interest. From time to time he repairs to bank and rediscounts hundis for the unexpired period at the prevailing bank rate. Being cautious and conversant with the bazaar conditions he rarely suffers losses by way of bad debts. His expenses are limited. He does not need a regular establishment, has about 2 or 3 gumastas mostly his relatives to do the errand work. On the whole he could safely be said to earn about 5 per cent on his total outturn. There are about 10 to 15 Multani Shroffs in Madras and the total capital invested by them in business is roughly 15 to 20 lakhs.

Written evidence of Mr. A. SAVARINATHA PILLAI
Assistant Commissioner of Income-Tax, Southern Range.

MONOGRAPH ON NATTUKOTTAI CHETTIS' BANKING BUSINESS.

Introduction.

The Nattukottai Chettis form one of the chief indigenous banking castes that conduct their financial operations in this Presidency. The Marwaris, who are an equally important community, do business in the Telugu districts, in Madras and in important stations in Tamil districts, whereas the Nattukottai Chettis, whose place of birth is in this Province, do business to a limited scale only in the Tamil tract of Southern India and the volume of their money-lending business and other transactions is conducted (i) in Burma wherein they commenced their business only after the annexation of that Province in 1852 by the British Government and they have now penetrated to the remotest villages, (ii) in Federated Malay States and Straits Settlements including important places in the neighbourhood such as Delli-Medan in Dutch East Indies, Bangkok, Siam, etc., (iii) French Cochin China and (iv) Ceylon. They say that they have been trading in Singapore and Ceylon from about a hundred years back and that they used to sell in Malaya lungi cloths dyed in the East Coast of this Presidency; similarly they used to sell in Ceylon rice, coriander and pulses exported from Calcutta and partly from Tanjore. There was till 1910 a large colony of Chetti shops established in Calcutta from olden times; latterly these shops used to receive only deposits from Bengalis, but as a result of the severe shock to their credit sustained in the period from 1908 to 1912 owing to the collapse of seven or eight Chetti shops in Calcutta, they were not able to do further business in Bengal. They have now no business of any kind in the Bengal Presidency. Besides the Marwaris and Chettiyars there is also one other important class of indigenous bankers in this Presidency, who require mention, viz., the wealthy Kammas in the delta tracts of Telugu districts as well as the Vaisya bankers, who do money-lending business with own and borrowed capital, i.e., the Kammas of Velangi, a rich village near Cocanada, and other places in Godavari and Kistna deltas like Tanuku, Tenali, Bapatla, etc., the Mothays of Ellore and other rich Vaisyas in Rajahmundry, Amalapur and Razole. In the Telugu country, however, each money-lender is a class by himself; there is no unity of purpose as between the numerous money-lenders of the Kamma or Vaisya community and no special or common distinguishing feature in them, such as exists in the case of Marwaris and Nattukottai Chettis, except perhaps the high rates of interest charged to their debtors. Far the best organized of all the indigenous bankers is the Nattukottai Chetti class as observed by eminent banking authorities in books written on the subject.

2. *The compactness of the Nattukottai Chettis.*—A tract called 'the Chettinad' is the home of the Chettis where they have to settle down and build their permanent houses for their families to reside, whatever may be the countries they travel or stay in temporarily for the purpose of their business. Geographically this tract is an undefined area; but in the regulations that bind the caste of the Chetti community, it is mentioned as the area lying south of the Vellayar river in the Pudukottah State, north of the Vaigai river, east of Piranmalai—a mountain peak that has given its name to the neighbouring village in the north-west corner of the Ramnad district—and west of the sea. A look at the map shows that this tract which, the Chettis say, they selected for their home from the time of their migration from the Chola Kingdom, lies partly in the Pudukottah State and partly in the Ramnad district. They have settled down in 78 villages, 20 of which are in Pudukottah and 58 in Ramnad; they have also got residences in other villages in the neighbourhood. The Chettiyars are also called Nagarathars from their being allotted for social purposes into 9* nagarams or townships, and at the head of each is one temple. Their total population according to the census taken in the year 1921—full details of which with special reference

* The nine temples are: Ilayathakudi, Mattur, Vairavankoil, Iraniur, Pillayarpatti, Nemam, Iuppakudi, Suraikudi and Velangudi.

to this community is given in the * *Oolian* diary of the year Duumathli (corresponding official year 1921-22) is 40,508. Of these 12,000 belong to the villages of the Pudukottah State and 28,000 to villages situated in British India. They are divided into a number of gothrams (about 25 in all) for marriage and adoption purposes; and the social unit is designated as a pulli, i.e., a married couple. The temples to which these families are allotted levy what is called a *Pullivari*, i.e., a tax on each married couple and sometimes an *Asthiyari*, a cess calculated at a percentage of the business capital when larger contributions are required. Turning to the business characteristics of the community which, it has to be noted, has made them successful in life as bankers and very wealthy, I refer below to the following features common to all Chettiyars doing money-lending, banking or other businesses.

3. *Method of accounting.*—The system of accounting followed is the double entry system of book-keeping and this is well understood by Chettis who are trained up in it from a very young age, from about 8 generally—sons of rich persons being apprenticed to learn business in firms that do not belong to their parents. Nattukottai Chettiyars are not mere money-lenders, but they have always been regarded as bankers by the civil courts in this Presidency and in Burma, as they lend not only their own capital but also the borrowed capital deposited with them by their customers. There are two classes of deposits which they take from people of their own community and from outsiders. The first is the current account deposit on which a Nadappu vaddi or current rate of interest is allowed. The second is the thavanai deposits, i.e., loans repayable after a definite thavanai or period of rest. This period is two months in Rangoon, three months, sometimes six months or one year in Federated Malay States and Ceylon and if the thavanai deposit is not demanded after the expiry of the rest, interest is added after the completion of each thavanai. As between members of their own community Nattukottai Chettis follow generally the mercantile system of accounting, while in regard to dealings with non-Chettis, i.e., Burmans, Chinese or Tamilians in Madras they adopt the cash basis system, i.e., of recording actual cash receipts and debiting actual disbursements. Under the mercantile system they credit themselves with interest due to them and similarly debit interest payable by them each year, after exchanging vaddi chittais, i.e., memorandum of interest calculations which are first accepted by the parties mutually affected, before adjustment is made in the books. The accuracy attained is very great as small fractions are used by them in these calculations, viz., $1/16$ (veesam or magari), $1/20$ (ma), $1/320$ (munthiri) including the lowest 'immi' or $1/3200$. Apart from this accuracy the high rates of interest charged enable them ordinarily to double their capital within less than five years, e.g., at 12 per cent thavanai interest and two months' rests, the principal is, I am told, doubled in four years and odd. Financial position is checked from time to time by their taking through their agents abroad Aiyanthogais, i.e., trial balances. The principals, if they remain at headquarters, keep themselves informed of their business progress abroad by means of weekly or monthly despatches of day book extracts sent by their agents and they regulate and control their business by means of correspondence. As money-lenders they have not been surpassed by any other community. They are particularly noted for their skill in building up, maintaining and expanding their credit, the arrangements they make for keeping a liquid possession and the careful manner in which they lend out their money. Some of them still keep their accounts in the age-old and traditional cadjan leaves. Though the implements of this system be the primitive palmyra leaf and a pointed steel, it carries with it an advantage in that it serves the purpose of a loose leaf ledger of an up-to-date design; but on the other hand when the cadjan accounts are produced before income-tax authorities there is no guarantee that the ledger book is complete and that some leaves have not been removed.

4. *System of doing business in distant places like Federated Malay States, Burma, Ceylon through Agents.*—This is peculiar to Nattukottai Chettis and there are certain features about it which require to be specially mentioned. It enables the Nattukottai Chetti to bring down his overhead charges to a low level while it encourages honesty and devotion to work by the system of payment by results. Agents are remunerated in the form not only of salary but also in addition of a bonus calculated at a percentage of net profits. The main features of the agency system as adopted by Nattukottai Chettis are summarized below:—

* *Oolian* is a Tamil Weekly published at Karaikudi in Chettinad.

† 28 Indian Cases 135, A.I.R., 1927, Madras 478, Indian Cases, Volume XLIX, page 758 and 31 Indian Cases 783.

(a) People of moderate means usually elect to go to distant places as agents, viz., of shops in Burma, Federated Malay States, etc. The pay varies according to the distance of the place, capacity of the man and volume of transactions. Only Chettis are appointed as agents. The period of an agency is usually three years. Salary is fixed for the entire period and a part of it is paid in advance and a salary chit is written up by the agent embodying the terms of his employment and handed over by him to his principal. Messing charges of agent are defrayed by principal.

(b) The relation between the agent and the principal is not that of trustee and *cestui que trust* but that of debtor and creditor. When the act of an agent has been effectively ratified by the conduct of the principal, the agent is legally relieved of personal responsibility to his principal for acting in excess of authority. The agent sends periodical extracts of accounts to his principal at headquarters and keeps in touch with him and is under his general control by means of correspondence.

(c) The agent is given, if he proves himself energetic and industrious, a bonus of 10 per cent of net profits, generally on the expiry of the agency term of three years.

(d) Six months before the expiry of one agency, his successor is appointed who works with old agent conjointly and studies the local conditions and financial position of his constituents. Debts of business, which have not been realized are valued by the new agent and if they are not good, they are taken over by him from the old agent at a valuation and kept in a special ledger called 'Methuniluvai' or doubtful debts. Civil courts recognize the fairness of this procedure and also have ruled that the old agent is not liable to the principal for losses in case of such bad debts, provided he is not guilty of misconduct. If the new agent considers some of the items bad he can refuse to take them over from the old agent in which case the latter continues responsible to his principal till they are recovered.

(e) On relief the old agent returns directly to his head office to give an account of his stewardship, delivers over his papers, settles his accounts and goes to his village for enjoying his rest of three years. After this, he seeks re-employment under his old firm or any other employer. If he had taken a bonus from his old employer, he is entitled to the first refusal in the matter of re-engagement of services. In time such agents amass enough wealth to start business on their own account.

5. *Present wealth of the Nattukottai Chetti community and comparison with their assets thirty years back.*—The statistics available in the Income-tax Department are not sufficient for compiling a statement showing the present wealth of the community. In the first place, taking the capital invested by Chettis in foreign places like Ceylon, Federated Malay States, etc., the information that they produce before an Income-tax officer at the time of yearly assessments is very meagre generally; the foreign assets are not given in most cases and what is produced is merely day book extracts of the previous year in order to enable the Income-tax officer to decide whether the assessee remitted any money into British India or not. According to the Income-tax Act foreign business profits are assessable to income-tax only when received in British India. Therefore the foreign capital of the Nattukottai Chettis is not, in many cases, ascertainable and can only be estimated. The second reason is that a very large number of Nattukottai Chettis are assessed in Burma, which has been declared to be the principal place of business of several Chettis or their partnerships or their sole place of business. While the Chettis assessed in the Chettinad are only 2,882 and in other Tamil districts about 300 paying income-tax and super-tax of 15½ lakhs, there are as many as 1,600 assesseees assessed in Burma about whom information is not available here. Thirdly, Chettis do not always produce their entire accounts before the income-tax authorities here but only some branch accounts. They deny the existence of other accounts and the headquarters accounts in many cases, though the headquarters accounts if produced would show their true financial position. Sometimes they say they have no accounts at all and risk an estimate.

It will thus be seen that we have to depend on an estimate of their approximate wealth in the shape of business capital, houses, jewels, landed properties, etc., in order to assess their financial position correctly. The

Income-tax Officer of Chettinad were requested to compile a statement showing the assets of the Nattukottai Chettis. They have made careful investigations; and the total wealth as reported by them based on estimates for each village comes to about 80 crores as per details below:—

(a) *Money-lending (own capital) employed in business—*

	RS.
Karaikudi First Circle	9½ crores.
Karaikudi Second Circle	16 „
Karaikudi Third Circle	4½ „
Sivaganga Circle	6 „

36 crores.

- (b) *Investments in houses and jewels.*—The Nattukottai Chetti invests largely in houses and jewels, although this is practically dead capital, the reason being that his credit is built on a peculiar basis. It is the value of his house, the jewellery he is master of and the lands that he owns that determine his credit in the eyes of his own caste-men as well as by others who wish to invest their savings with him. The first instinct of a Chetti who has amassed money is to construct a house as big as he can. We may see numerous massive, spacious and fine buildings in the Chettinad in architectural style unique in its own way. In Devakottai alone there are said to be 300 houses costing not less than a lakh each and the officer has seen personally not less than 100 of them. The total amount so spent in houses is estimated at 6 crores and in jewels another amount of 4 crores: Total 10 crores

10 crores.

- (c) *Money-lending capital of the Chettis in Pudukottah State, many of whom do business in British India, i.e., in Burma and also in this Presidency.*—There are twenty villages with a population of 12,000. Many of them are exceedingly rich and finance businesses in South India, Burma and other places. Capital estimated at 14 crores

14 crores.

Houses 2½ crores and jewels 2 crores

4½ crores.

- (d) *Investments in agricultural lands, house properties, rubber gardens, tea estates, coconut plantations, etc., in Federated Malay States, Ceylon, Burma and other places.*—The ownings in distant places cannot even be approximately fixed as there is no information available, but it is understood that the Chettis have very valuable possessions abroad in the shape of rubber plantations, tea gardens, coconut gardens in Federated Malay States, Saigon, Ceylon and in Burma where agricultural lands are also extensively owned. In this Presidency the landed properties owned by Chettis and acquired by them mostly in the course of money-lending business are scattered about in numerous districts. Some of them have large cardamom plantations in Travancore hills. Once upon a time there was a craze among Chettiyars to invest in lands and the sentiment of being landed magnates appealed to them and they acquired portions of zamindari estates, etc. Now, however, they have stopped this kind of investment as they do not find it profitable. Many Devakottai assesses have a large portion of their assets locked up in this form and are at a disadvantage. The total assets in the shape of immovable landed properties can be taken at Rs. 15 crores

15 crores.

Total ... 79½ or 80 crores roundly.

The aggregate amount of own capital rolling in business among Nattukottai Chettis as a community thus comes to 50 crores; this is approximately equal to the estimate framed by several business men whom I have consulted and who have had occasion to make independent enquiries for ascertaining the financial position of the community for their purposes. The borrowed capital, which Chettis take as deposits from their customers in British India, i.e., Madras and Burma and from their constituents in Federated Malay States and abroad may be approximately taken at 50 per cent of their own capital or about 25 crores in all. The total capital—own and borrowed—employed in business thus comes to about 75 crores. Of this, if we deduct 8 crores as being the estimated deposits made by the Chetti men and women by way of investments, the distribution of the balance of 67 crores according to *locale* is fixed by Nattukottai Chettis, who know the volumes of business in the foreign places, as follows:—

	RS.
Madras Presidency	3 crores.
Burma (own capital 15 crores and borrowed 50 per cent or total)	23 „
In Federated Malay States, Straits Settlements, Dutch East Indies, Siam (own and borrowed) ...	20 „
In Saigon in French Cochin China	5 „
In Ceylon (own capital 10 crores and borrowed 50 per cent)	15 „
Total	66 crores.

6. *The total assets of the Nattukottai Chetti community 30 years back.*—In writing about Chettiyars of this Presidency in the *Indian Review*, a journal published at Madras, the late Justice Mr. P. R. Sundara Ayyar, who was a legal practitioner with a large Chetti clientele, made the following observations in January 1906 regarding their wealth. The Editor says in his foreword about the author of the article that there was none, who could speak with better knowledge and authority about Nattukottai Chettis:—

“About ten years ago, i.e., in 1896 a prominent member of the Chetti community told me that his community numbered 10,000 people in all and that the aggregate property they possessed was estimated at 10 crores which gives an average of Rs. 10,000 for each individual. We doubt whether there is any community which can show a higher degree of average wealth.”

The present wealth of the Chetti community according to estimate framed above comes to about 80 crores. It may be perhaps a little more or a little less, but the estimate is approximate and it shows the enormous increase made by the Nattukottai Chettis to their assets within the space of the past 30 years. The causes that have contributed to this accretion are mainly the nature of the business that they do, i.e., money-lending coupled with the very high rates of interest charged in places like Burma, Federated Malay States, etc., which brings in a steady increase of income year after year. There were also some windfalls which enabled the Chettis to make large profits in recent years. These are referred to in financial* journals. I mention them below:—

(i) *Oil Companies in Burma.*—Some years back, i.e., about 1910, a large business man in Burma of the name of Mawer, who was a big speculator in rice, had his plans and calculations miscarried and his creditors among whom were a large number of Chettiyars had to take payments in the shape of shares of the Indo-Burma Petroleum Company of which he had a large holding. These shares were of small value originally and suddenly appreciated in the market; and the recipients of the shares gradually sold away the scrips for large profits and realized cash. The extent of the profits then made can be judged from the fact that oil shares of the value of 3 lakhs purchased in 1908 are mentioned in a judgment of the Madras High Court† by Justice Coutts Trotter to have appreciated to one crore in 1915. There were a good many Chettis who, it is said, benefited by this dealing.

(ii) *Rubber gardens.*—During the time of the crisis in rubber some years back, the Chettiyars were hard hit and they had to take over rubber estates belonging to their debtors in Burma. Federated Malay States, Straits Settlements and Ceylon, etc. After some time rubber prices improved and

* Indian Finance Issue of 17th August 1929.

† A.I.R., 1927, Madras, 478.

the estates which were taken over for sacrifice prices began to boom, enabling the new Chetti proprietors to clear off handsome profits in many cases. Instances of estates in which one acre was taken for less than Rs. 100 value and was sold away or is now worth over Rs. 1,000 per acre are mentioned by several Nattukottai Chettis. An instance is cited by the Third Circle Officer, Karaikudi, of a man in Federated Malay States whose assets 14 years back were worth 1.30 lakhs and are now 20 lakhs owing to appreciation of rubber. Practically the entire Chettiyar community has benefited by this cause.

(iii) *Rice control in Ceylon during the War time.*—This was another windfall which contributed to a large influx of wealth especially to Chettis living in Tiruppattur side in the villages of Neikuppai, Kandramanikkam and surroundings. Whether the means adopted to earn this income were fair or not, numerous Chettis in these villages, who were worth nothing before the War were found to possess surpluses of 10 lakhs or over after the termination of the rice control.

7. *Question 1.*—State what you know of the functions of the indigenous bank or banker in your district or province enumerating all kinds of business the bank or banker transacts?

As already stated, Chettis have been hitherto regarded as bankers only in a limited sense for the reason that they lend to others not only their own money but also moneys borrowed, i.e., the deposits that they receive from their constituents. A survey of the numerous kinds of business done by them in this Province, Burma and other places shows that many still follow closely the time-honoured profession of money-lending and there are some who do other forms of banking.

A.—Receiving of deposits.—Chettiyars receive deposits partly from members of their own community and partly from the outside public. All Chetti ladies have stridhanams, moneys to their credit made up of the sums given by their parents as dowry at the time of marriage according to the mamul of their caste and accretions in the shape of marriage presents, etc., which constitute their personal property. These they deposit for interest either in their husbands' shops or in those of other Chettis known to them. A feature of deposits made by Chettis is that they do not generally place the amount entirely in one shop, but deposit it in a number of shops for purposes of stability. The figures furnished by Chettinad officers show that the persons who derive income from interest on deposits alone are 823 and amount so deposited 4½ crores. Including deposits by others doing business, total deposits can be taken at not less than 8* crores. The deposits consist of two kinds, (i) current deposit in which the nadappu rate of interest is allowed and (ii) the thavanai deposit—please see paragraph 3 above. The distinction between these two classes lies in respect of the interest paid as set out fully in my reply to question 5 (c). For these deposits, deposit letters are sometimes given and sometimes not. The deposits made by non-Chettis are also large and on these, rates of interest more or less equal to the current rates are allowed. In Madras many legal practitioners and others having professional dealings with them deposit their moneys only in Chetti firms, as a higher rate of interest is given than they can obtain elsewhere. These deposits are made mainly in towns and not in rural parts. Of late, however, the confidence of the investing public in Chetti shops has been shaken by the failure of some of the big Chetti firms. In Burma big Marwaris, Burmese and Chinese deposit their moneys on a large scale with Chettiyars according to the account given to me by some witnesses. The same position appears to prevail in Federated Malay States and Ceylon also. One feature of these deposits is that they are not fixed-term deposits as is taken by joint-stock banks. The Chettis consider it to be opposed to the customs of their caste to fix such periods—a circumstance that has operated to their disadvantage in some cases. The idea of receiving savings banks deposits is unknown.

**Note.*—Generally, in Chetti shops, sole concerns, or partnerships run through agents, the principal fixes own capital at only a nominal amount of generally Rs. 21,000, though business may be done for over 10 lakhs. The balance of capital is called *surplus* or *membanam* and is deposited in form of thavanai or current deposit on which interest is charged before calculating profits on which agent's bonus is fixed. This has been treated as business capital in the statistics here.

B.—Lending of money.—As already stated, the money-lending transactions conducted by Chettis in this Presidency are on a limited scale. Taking the cases of 136 indigenous bankers doing business locally with businesses abroad about whom the four Chettinad officers have furnished detailed figures, the following shows the distribution of their capital in the various places:—

	LAKHS.
Local money-lending	217.54
Burma	313.64
Federated Malay States	265.19
Ceylon	61.95
Total ...	858.32

Out of the 2,882 Nattukottai Chettis assessed by the Chettinad officers, 1,266 employ capital of 12.70 crores in foreign places such as Ceylon, Federated Malay States, etc., because they get more lucrative profits in those parts. One hundred and forty-seven others referred to by the Sivaganga officer as indigenous bankers doing local business carry on the local business on a very small scale and have a total capital of 2.01 crores invested in property and partnership concerns and the remaining, viz., 1,333 are persons who have mere investments or trade or derive income as employees. The least profitable of all these for them is the local money-lending conducted in Southern India. In the Chettinad itself the persons who borrow from them are mainly their farm-servants or dependants to whom advances are made in order to keep them under obligation. Outside Chettinad they run money-lending shops, which in their parlance are called *Rail kadais*, i.e., shops situated in places accessible by railway. The Nattukottai money-lender in the Tamil rural areas, in his dealings with his clients, generally lacks steadiness. They have places of business, but although their shops are sometimes open till as late as 8 or 9 p.m., it may be said that they have no regular hours of work and they cannot be depended upon generally to keep an engagement by correspondence. The needy men—agriculturists, traders or shop-keepers—take recourse to the Chetty in times of stress and it is very often not an easy task for them to come to business terms with him. The usual process of haggling has to be carried in the mufassal before the rates of interest are settled, which are ordinarily not less than 12 per cent and run up to 24, 36 or 48 per cent according to the risk involved. The ordinary loan is advanced in these parts by what is known as the *kandu* system, daily or weekly or monthly *kandu*. Under the daily *kandu*, if Rs. 100 be fixed as a loan the debtor gets only Rs. 100 minus the interest determined at 12 per cent or 24 per cent, i.e., Rs. 90 or less and he has to repay Re. 1 every day for 100 days. Under the monthly *kandu* similarly for a nominal loan of Rs. 100, Rs. 90 or less is paid after deducting interest in advance and the debtor has to repay Rs. 10 per month in monthly instalments for 10 months. The petty traders, bazaar-keepers, soda-water shopowners, etc., take such loans from Chettis. Other kinds of loans are also given on pro-notes called *venalai* documents, mortgages, joint security system, pledges of jewels, etc. Many of the Chetti shops in this Presidency are being gradually wound up, sometimes even at loss with a view to divert the moneys abroad, which is now found to be more profitable.

Money-lending in Burma.—This Province is the chief centre of the Chetti money-lending operations in British India. There are Chetti shops in the interiormost villages of the Province called *Kattukadais* where customers are mainly agriculturists. Loans to them are retailed by the shops on the spot, in turn fed by headquarter shops which are Chetti partnership concerns or sole concerns in Rangoon and other chief centres. The Chettis claim to be the pioneers of agricultural enterprise in Burma: they say that they sank their capital in that Province and offered inducements to the Burmans to bring under plough their fertile lands which were long lying neglected. Lands and properties have steadily risen in value in Burma and the Chettis have not been slow to take advantage

of this. Loans in this Province are issued on pro-notes called *vennalai* documents and mortgage bonds and the rates of interest are reported to vary from 12 to 15, 18 and 24 per cent. In the case of well-to-do debtors, lower rates of interest are said to be charged. Money-lending business in Burma is flourishing during the cultivation season from September to March; and when prices of paddy and rice show an upward tendency they easily secure repayment of their loans with interest by sale of paddy. Chettis themselves obtain 50 per cent of the crop of the agriculturists according to the evidence given by some of them. Paddy prices in Burma are always watched by Chettis and their weekly journal *Ooliam* gives quotations of these prices for the information of local residents managing through agents. In Rangoon town itself the money-lending business done by Chettis which is estimated to amount to over five crores is said to be more varied. They advance to traders, rice-mills, saw-mills, etc., and some of them do hundi rediscounting business such as that done by shroffs and Marwaris.

Money-lending business outside British India in Federated Malay States, Ceylon and other places.—The business in these places done by Chettis is the most flourishing. I make a brief reference to this, which appears to be outside the scope of the Committee's enquiries, because they form part of the activities of Chettis and the rates of profits earned here have a reflex action on the volume of business done in British India, i.e., Burma and Madras. In Federated Malay States moneys are advanced on security of rubber gardens, house properties, tin mines, share certificates of companies and the business is not for a portion of the year as in Burma but is fairly continuous throughout. Rates of interest range from 12 up to 36 per cent. In French Cochinchina loans are similarly advanced to agriculturists, rubber garden owners, exporters and importers of goods in sea-port towns, who obtain trade loans from Chettis on a large scale. In Colombo Chettis are held to be an important class of financiers. Though they formerly did business in rice and cloth here, they have reduced their trading operations and they confine their activities now mainly to money-lending. Loans are advanced on the mortgage of coconut gardens, tea and rubber estates, pro-notes, and joint securities, etc.

C.—Dealing in hundis and transfer of funds from place to place.—The Nattukottai Chetti rarely deals in cash. He does not ordinarily keep his capital in cash form. It is mostly locked up in Federated Malay States, Ceylon and in Burma and when he wants money he draws large sums by means of hundis in the foreign places and thus meets his demands. The Chettis have hundial shops in all important places which enable them to transfer their money from Penang, Singapore, Rangoon, etc., to Madras or to headquarters by means of hundis on which discount is charged. This discount is called the 'vattam'. Chettis doing business in Federated Malay States have *adathi* shops in Madras with whom they contract that all hundis issued by them from, or to them in, British India should be paid, or, received on their behalf.

D.—Discounting of hundis or financial bills.—This kind of business in which Marwaris are experts is done to a very small extent in Southern India by Nattukottai Chettis. In Ceylon, on the other hand, I am informed that 50 per cent of them do this kind of business and that in Rangoon a number of Chetti shops get income by re-discounting financial bills, the profit to them being the difference between the rate of interest charged by them actually to the traders and the bank rate of interest.

E.—Issue of cheques.—Only one or two Chetti shops were mentioned to me as doing this kind of business and they are unimportant shops.

8. *Question 2.*—How and to what extent does an indigenous bank or banker in your district or Province assist in financing agriculture, trade and industry?

It cannot be said that in Southern India the Nattukottai Chetti class of money-lenders assist in any specific manner the agricultural or trade enterprise. The needy and the poor go to them for loans and if the borrower happens to be an agriculturist, in that sense the Chetti finances agriculture; or if he be a trader or shop-keeper in that sense alone the Chetti finances trade. There is no system followed by Chettis to help agriculture or trade as a profession in this Presidency, although in Burma

agricultural enterprise is backed up by Chetti finance. Taking the Coimbatore district, where there are about 100 Chettis doing business, I understand that the Chetti financial operations do not touch the cotton market of Tiruppur which is entirely in the hands of Marwaris. In the cotton tract of Tinnevely and Ramnad districts in and around Koilpatti there are Chetti operators; agriculturists take loans from them at high rates and repay the loans with interest after harvest. If harvest fails the principal accumulates with interest and the bankers go to court and deprive the borrower of his lands. The agricultural operations cannot be said to be financed by Chetti capital.

The industries which Chettis can claim to have financed in this Province in the past are the following:—

(i) Three electric corporations have been formed as joint-stock companies with the help of Chetti capital for the supply of power in Devakottai, Kanadukathan and Karaikudi.

(ii) Two Textile Mills at Madura, one of which is actually working, viz., the Meenakshi Mills and the other Mahalakshmi Mills which has not yet been started, are joint-stock companies which owe their existence to Chetti enterprise.

(iii) The Textile Mills at Kallai in the Malabar district at Coimbatore were formed through the labours and initiative of the late Diwan Bahadur Somasundaram Chettiyar.

(iv) The Paper factory at Punalur in the Travancore State.

(v) Rice mills in the Tanjore district. Many of these were started by Chettiyars who sunk large capital in erection of buildings and machinery during the days of rice trade with Ceylon; but they are not profitable at present owing to the entry in the field of Marwaris and Bombay Saits and influx of Rangoon rice, a cheaper commodity than Tanjore delta rice.

(vi) A tile factory near Pondicherry at Irusampalayam—Insignificant in nature.

(vii) Brass vessels factories in Sivaganga, Karaikudi, etc., places. These are small industries where the workmen are financed by loans from Chettis.

(viii) The Thachanallur Sugar Factory and Distillery. This belonged to the insolvent firm of AR. AR. SM. It is in the hands of the Official Receiver.

9. Question 3.—Organization of indigenous banking system among Nattukottai Chettiyars with regard to (i) amount of capital invested and (ii) volume of their business and their expenses?

The enclosed statement Appendix A furnishes the information in respect of the Nattukottai Chettis, who do local banking. One hundred and thirty-six of them are assessed in Chettinad and 107 in other circles in Trichinopoly, Madura, Ramnad and Tinnevely districts. Their total capital town) is 637.63 lakhs. Borrowed capital is 459.15 lakhs. Total volume of business is 1,096 lakhs. Their expenses come to 48.14 lakhs, the constituent items being interest on borrowed capital (34.38), bad debts (4.30), expenses of management (9.46 lakhs).

Relation between the indigenous bankers and others—The Imperial Bank, the co-operative banks and joint-stock companies.—The Nattukottai Chettis as a class have no dealings whatever with any co-operative bank. Among joint-stock banks there is the Indian Bank (headquarters at Madras) a portion of the directorate of which is composed of Nattukottai Chettis. I understand that it helps Chettis with loans at a rate of interest 2 per cent above its usual rate. The Imperial Bank of India advances loans to many Nattukottai Chettis on pro-notes in which two men have to give security. These advances are issued in India, Burma and Ceylon. It is understood that the total aggregate credit so allowed to Chettis is considerable. Recently the Imperial Bank is reported to have reduced the total amount of credit up to which it allows overdrafts to Chettis. The rate of interest charged by the Imperial Bank to Chettis on loans is said to be by numerous witnesses 2 per cent over and above its usual rate. This is felt as a grievance by several Chettis of the middle and lower strata in their community. As between themselves the Nattukottai Chettis show a close business affinity. There is an excellent *esprit de corps* which has

enabled them as a class to command in the past considerable credit in the eyes of the financial world. They have formed numerous partnerships by combining themselves in different ways and this net work of firms covers practically the whole of Burma and there is no village of any importance in that Province in which they have not put out some outlay or other. When the Imperial Bank communicates its willingness to advance loans, the practice among Chettis is to join in groups and apply for loans with joint security according to the extent of the loan taken and then divide the amounts among themselves. This system of mutual signatures for loans obtained from banks, while it increases their credit, has had its repercussion also in unfavourable times, i.e., when one important firm fails it entails disaster to all intimately connected with it. Two other chief features of Chetti organizations are (i) the manner in which they fix the nadappu or current rate of interest. This is done each month at Penang, Rangoon, Madras, Colombo and other important places in the Nagara-viduthi or special buildings constructed for the common use of the community. Each of the persons assembled intimates secretly his figures. One of the members takes note of the figures and the final rate determined as an average is then announced. This nadappu rate is fixed with reference to the supply and demand of capital as among Chettis and the bank rate then prevailing. Weekly thavanai rates of interest are similarly fixed at Rangoon for thavanai deposits. The second and commendable feature of Chetti union is the panchayat committee held among them when a man fails. They make an attempt, which is generally successful, to fix up the failed man's affairs without the intervention of the Court and he is also started on his legs once again by appointment as agent of some Chetti firm abroad.

10. *Question 4.*—Various forms of hundis and other credit instruments used by Nattukottai Chettis and extent of their use?

There are three kinds of hundis in use amongst them:—

- (i) Darsanai hundi payable at sight or on demand;
- (ii) the hundi payable after a specified period, e.g., 40 days after date of execution or after sight of bill; and
- (iii) the hundi bearing nadappu or current rate of interest till date of encashment. This is a peculiar form of hundi in use among Nattukottai Chettis. Legal opinion is divided as to whether this is strictly speaking a negotiable instrument according to law, owing to the stipulation about interest. This is, however, largely in use among Chettis.

For deposits received by Chettis they issue deposit letters. Thavanai deposit letters are not stamped.

Sample copies of all these kinds of documents are given in Appendix F to this note.

11. *Question 5.*—Indigenous bankers' methods of granting loans and allowing cash credits and the terms and nature of these loans and cash credits?

The Chettis issue loans as already stated mostly on security of lands, houses or jewels, on deposit of title deeds (equitable mortgages) and also unsecured loans on pro-notes and in some cases they issue hand loans to shop-keepers or money-lenders by merely making entries in their accounts. Instances of usufructuary mortgages taken by Chettis that have come before me are not numerous. The terms of the loans and their nature depend on the extent of risk involved in each case and the stability of the debtor. They allow *cash credits* to non-Chettiyar constituents occasionally and rarely on what is called jamin letters, i.e., with security. Cash credit to members of their own community is permitted on what is called the 'adathi system' under which commission is charged on the turnover in the shape of vindas. This varies from six pies to two annas per Rs. 100.

The means by which indigenous bankers provide themselves with funds to meet their demands.—Besides the deposits that Chettis receive from members of their own community and from the public and the loans taken from the Imperial Bank, they also borrow from other banks—the National Bank, Mercantile Bank, Hongkong and Shanghai Bank, the Chartered Bank, the P. & O. Bank, the Netherlands Bank, Yokohama Specie Bank, the Lloyds Bank. The total amounts so borrowed is not known. The

extent to which each individual Chetti borrows depends on his personal capacity, the favour he finds in the eyes of the bank authorities. There are instances in which some Chettis have managed to get a borrowed capital ten times as great as their own capital. There are many cases in which borrowed capital is up to 2½ times of their own capital. Taking the Chettinad as a whole the borrowed capital comes to about 50 per cent of their own capital with reference to the estimates made by the officers having jurisdiction over this area.

Ways and means.—The Chettiyars, who have a large amount of capital and accumulated profits locked up in foreign places, do not remit moneys into British India except under necessity, firstly for the reason that the detention of the capital in foreign places and its employment there is more profitable and secondly for the reason that when remittances are made into British India they are liable to be taxed as business profits up to the limit of the profits of four years ending with the previous year. There are numerous hundi shops in Madras which have financial transactions with Chetti firms in Rangoon, Penang, Singapore, etc., and when funds are required for local requirements the Chettis draw upon their adathis in Madras. A telegram before 3 o'clock brings them money by the next post.

Rates of interest allowed on various kinds of deposits received by Chettis.—The nadappu rates of interest on current accounts as it prevailed each month in the Tamil years Vibhava and Sukla (1928-29 and 1929-30) for Madras, Rangoon, Penang, Singapore and Colombo, Madura, Tinnevely, Negapatam and Jaffna are shown in Appendix B. Nattukottai Chettis stipulate as between themselves, that the rate of interest payable should be sometimes one anna or two annas more than the nadappu rate. In the case of deposits by non-Chettis, more often than not, something less than the nadappu rate is given. At the following stations, viz., Madura, Negapatam, Tinnevely and Jaffna the nadappu rates of interest applicable for each month has been fixed at a constant figure for all years. This is due to the fact that Nattukottai Chettis doing money-lending business at these places are very few.

Thavanai loans and interest thereon.—This is a special kind of loan transaction conducted by Chettis as between themselves and this has already been referred to in paragraph 3 above. As to what exactly constitutes a thavanai transaction and in what manner it differs from current deposit account, the following remarks about Rangoon thavanai loans in a judgment of the Chief Court, Burma, will be enlightening: "The relationship between the parties in a thavanai transaction is that of a lender and borrower, the loan is made for a fixed and certain period of two months at a rate of interest which is fixed weekly by members of the Chetti community for transactions which may be entered into during the ensuing week, the lender cannot demand repayment before the end of two months for which he has lent the money; if he does not demand it at such time, and the borrower does not elect to repay it, the loan is deemed to be extended for another full two months at the rate of interest fixed by the weekly meeting of the community for the then period and so on until the money is repaid."

As a matter of fact, although the period is small, thavanai deposits are found in Nattukottai Chettis' accounts to have remained for a number of years. The essential difference between this and current account is that in thavanai transactions compound interest is calculated at intervals of two months, three months or six months while in the case of current account interest is added at intervals of six months or one year. The thavanai rates of interest at Rangoon, Penang, and Singapore have been tabulated in the annexed statement—Appendix C. Rangoon thavanai rates are fixed each week. In Federated Malay States the thavanai rate is a matter for settlement, as I understand, by the parties concerned in each individual case.

12. *Question 6.*—Rates of interest either in money or in kind which the agriculturist has to pay at present to indigenous bankers?

Information obtained from the income-tax officers is tabulated below:—

Karaikudi first circle.—Rates range mostly from 12 to 15 per cent in Madras Presidency and up to 24 per cent, and sometimes even 36 per cent in Burma.

Karaikudi second circle.—Agriculturists in Burma pay from 18 to 30 per cent. In the Chettinad for loans given to farm-servants and tenants interest does not go beyond 18 per cent.

Karaikudi third circle.—The usual rate of interest for agriculturists is about 18 per cent. The pro-notes executed by debtors contain usually a stipulation for 30 per cent, but the private understanding is that, if the borrower pays the loan without court intervention, 18 per cent would be adopted at the time of settlement.

An interesting case that has been brought to notice is a loan of Rupees 7,875 advanced in 1886 by a Chetti to a Zamindar for which he got in 1916 a decree for Rs. 1,58,773, i.e., in 30 years the capital made itself 20 times greater.

Sivaganga circle.—Eighteen to 24 per cent compound interest with one year's rests or 20 kalams of paddy for Rs. 1,000 loan every year.

Virudhunagar circle.—Agriculturists in Koilpatti side pay 12 to 18 per cent. One instance of 120 per cent is also mentioned.

Generally the position is, if the debtors be substantial financially and if large loans be taken by them, the interest is low, i.e., it is 12 per cent, or a little less or more; but in the case of risky loans high rates are charged and 18 per cent is the lowest rate applied both here and in Burma.

Besides interest, a mahimai or cess for charity is also charged and this rate varies for each individual. In the Olian of 7th January 1930 an extract of a Burmese paper (New Light of Burma) is quoted which refers to 18 per cent as ordinary rate of interest charged to Burmese in village parts and it deplors the extent to which Burmese are in the clutches of Chettians who are said to be the only rural financiers.

In what manner do you suggest that these rates of interest charged by indigenous bankers could be brought down by better organization.—Establishment of land mortgage banks and spread of the co-operative movement naturally suggest themselves with reference to the success achieved by the Co-operative Department in this direction in recent years. The Chetti money-lender in Southern India and Burma seems to be unaffected, however, by co-operative organizations and he continues to charge high rates of interest, a fact which indicates that rural financing requires the use of accommodation bills and fidelity bonds and that the person who engages in this kind of venture has necessarily to charge for the risk he incurs, rates of interest which to the ordinary individual might seem unconscionable. Punctuality in payment which is the breath of the nostril to business men in towns is not a feature of the ordinary agriculturist. He finds it very convenient to go to the professional money-lender; and he seems the proper person who can fulfil this public function in rural financing.

13. The study of the history of law of interest in British India reveals some anomalies, which, I submit, have first to be set right in order to render effective any reforms having for their object reduction in rates of interest charged by rural financiers to agriculturists. The legislation relating to interest in British India, after the advent of British administration, has moved almost on parallel lines with the legislation in England on this branch of law. Every important enactment relating to interest in England has had its counterpart in Indian legislation. In both countries there has been a conflict between two schools of thought—one for legislation in the direction of removal of restrictions on the absolute freedom of contract in the matter of money-lending transactions and the other for legislation for protection of the weaker members of society from oppression by the stronger, even if such legislation should involve, to some extent, interference with the freedom of the contracting parties. Coming to the enactments passed in both countries, the first stage after the advent of British rule in India is marked by the Indian Interest Act XXXII of 1839—the counterpart of the English Interest Act passed six years earlier—Section 28 of 3 & 4 Will IV Chapter 42 of the year 1803. These contain restrictions about the maximum limit of interest chargeable in some cases and it is said that it should be the current rate. The next stage represents the revolt of public opinion against restrictions on freedom of contract with reference to Bentham's famous essay in defence of usury and Mill's 'On Liberty'. Then the usury laws were repealed in England by an Act passed in 1854, and in the next year the Indian Legislature passed the Usurious Laws Repeals Act of 1855. After some time, there was a revulsion of feel-

again in favour of the weak members of society oppressed by unconscionable bargains of money-lenders and the English Money Lenders Act of 1900 was the expression of this feeling. Although the corresponding Indian Act was passed 18 years later, it is unfortunate that this enactment has turned out to be an imperfect and defective measure. The defects in the Indian Usurious Loans Act of 1918 are now found to be two-fold. The first is that in the Indian Act the provisions in section 7 *et seq* of the English Act relating to registration of money-lenders and other subsidiary provisions regarding the place and manner of transacting business by money-lenders were dropped. It was thought in India that the circumstances of this country did not necessitate the enacting of these measures. The Royal Commission on Agriculture in paragraph 366 recognises the mistake of the above decision and recommends the undertaking at once of legislation in British India parallel to the English Money Lenders' Act which has been further consolidated in 1927 in the battle against usury so as to provide for (i) taking out of licence by money-lenders, (ii) prohibition of compound interest, (iii) fixing of limits for interest and (iv) clients getting copies of accounts, documents, etc. It is also reported that Punjab has a bill on this subject under consideration in its Legislative Council. The second defect in the Usurious Loans Act of 1918 is now found to be that it has become practically a dead letter in all Provinces of India, as stated by the Royal Commission on Agriculture in paragraph 365 of its report. It appears anomalous that, in the Bombay Presidency, there is in force the Hindu Law of **Damdupat* according to which interest exceeding principal cannot be recovered at any one time and it gives protection to Hindu debtors, but similar protection is denied to debtors in other parts of India or of other religions in Bombay itself. In Madras, on the other hand, it is said in texts on money-lending that the Madras High Court has upheld an agreement to pay interest at 36 per cent and expressed the opinion that a Court could not reduce it to 24 per cent (12 Indian Cases, 78). In another Madras case a cent per cent interest was considered not unreasonable (11 Madras, 294). In a third case interest at one pie per rupee per diem or 180 per cent from date of default no interest being previously payable, was upheld by the Madras High Court and it was pronounced to be not an exorbitant rate of interest (25 Madras, 343). It appears to be necessary that legislation should be at once undertaken to provide for indigenous bankers as well as money-lenders getting themselves registered as in England and submitting to rules framed by the legislature for fixing place, business, hours of business, rate of interest, maintenance of account and other connected matters. Query: Should they also be required to submit periodical statements once a year or so, relating to assets and liabilities, especially when bankers who get advances from a central banking institution or money-lender deal with deposits of others in order to provide for the safety of the public? This point is dealt with later. A legal authority has observed in a law journal so far back as 1894 as follows: "India teems with Shylocks still who will not only gladly agree to take from you, your pound of flesh but will pretty nearly succeed in doing so through the machinery of our courts of justice as the law is still the pre-engaged servant of the long purse." The conditions are the same now as in 1894. In the neighbouring colony of Ceylon such registration of money-lenders is enforced by law and is working smoothly and in Pudukkottai State I was informed that the Hindu Law of *Damdapat* is applied. There appears to be no reason why similar measures should not be adopted here. As to the maximum rate of interest to be fixed for purposes of intervention by courts, I suggest that we can move on the lines of the latest English Act of 1927 that came into force on 1st January 1928; this provides for prohibition of compound interest and says that a rate of interest exceeding 48 per cent per annum is *prima facie* to be treated as excessive for purposes of court intervention in the interests of equity. Such a limitation of interest will, I am convinced, come as a great boon to the agriculturist community.

14. *Question 7.*—Local opinion about indigenous bankers—Defects existing—Amendments.

The reports of my income-tax officers show that there is no prejudice against indigenous bankers or Nattukottai Chettis but that there is a

**Note.*—The applicability of the rule of Hindu Law to Bombay, when parties were Hindus, is specially provided for in a Bombay Regulation V of 1927 and corresponding regulations are not in force in other Provinces.

general prevalence of an impression that the Chettiyars' rates are exorbitant and that they are flint hearted and screw out money from debtors without a spark of mercy. In Burma there appears to be a similar feeling regarding the high rates of interest—please see Oolien paper, dated 7th January 1930. Some instances of unsound dealings of Nattukottai Chettis with their clients that have been brought to my notice are the following:—

(i) Cases where some Chettis get blank promissory notes signed by their parties—a condition of things which shows that debtors do not know the terms on which they take loans or the amounts they stand indebted for.

(ii) Receipts for deposits issued by Chettis being unstamped in some

(iii) Inability of small depositors in Chetti firms to get from the bankers regular copies of their accounts—this will be remedied by enactment of provisions similar to the English Act.

(iv) Vagueness of kandu system as to rate of interest—Under the kandu system of loans granted by Chettis what is the rate of interest that is charged is difficult to calculate even by persons well-versed in arithmetic. High rates of interest are imposed under cover of these equated payments of total amounts which are in excess of the sum originally advanced and it seems to be desirable in any amending law to be introduced to prohibit such class of transactions.

In England there is a ruling to the following effect:—

Where, in consideration of an advance of £50, a promissory note for £70 was taken from a borrower the amount being repayable by 22 weekly instalments, and upon default in payment of any instalment, the whole sum was to become due, the court reopened the transaction on the ground that interest might turn out to be very excessive and that the rate was not understood by most people. (*Levene versus Titchner*, 23 T.L.R., 508)

Kandu transactions which are a common feature of loans by Chetti bankers in this Presidency should, in my opinion, be tabooed.

15. *Remedies suggested.*—(i) Many of the Chettiyars who appeared before me were eloquent over the easy and summary manner in which legal remedy is now obtained in Federated Malay States against defaulting debtors and the quickness of the execution proceedings of courts there which enables them to get into possession of foreclosed lands in about a month's time. They further state that in suits there in money-lending cases procedure is simpler. No plea of want of consideration or of undue influence or of valid signature, such as are raised in India by debtors to the waste of time of courts and the money of the parties, is alleged can be raised in Federated Malay States; and if a man contested his signature, either the borrower or lender is found guilty of forgery and handed over to the police. This appears to be due to the fact that enactments similar to the English Money Lending Act are in force in that colony. If restrictions are to be imposed on money-lenders in British India by way of registration of money lenders and limitation of rates of interest, equity requires that the creditor should be correspondingly provided with good facilities to recover his dues from his debtors instead of being subjected to harassment. In the English Act of 1927 a money-lender is criminally liable for false statement or false representation made in the course of his business and conversely if the debtor be proved to have made a false statement he can be prosecuted. It seems to be worth while to consider whether similar provisions could not be enacted here to enable a speedy remedy to be obtained by creditor and debtor alike.

(ii) *Delays in execution proceedings of civil courts.*—This subject has been dealt with by the Civil Justice Committee a few years back. Some Chettis mentioned, however, that delay in taking possession of foreclosed properties in British India would be minimised by a more extended use of section 69 of the Transfer of Property Act. Under this mortgaged property in Presidency towns and other specified places can be brought to sale through firms of public auctioneers without the intervention of the civil court, whose sanction has otherwise to be obtained by suits for foreclosure, with reference to section 67 of the same Act. This appears to be a suggestion worth considering. Section 69 (c) of the Transfer of Property Act indicates that such summary sales could take place only in

the Presidency towns of Calcutta, Bombay, Madras, Rangoon and Karachi prior to 1904. In that year the Act was amended and Moulmein, Bassein and Akyab were added to the list. By a further amendment of law made in 1915 the Governor-General in Council may by notification in the Gazette of India bring under the operation of this section any other town. There are many important stations in Southern India where, in view of the general advancement in knowledge of law by the people, debtors can be expected to protect their own interests and to which section 69 (c) of the Transfer of Property Act can be applied. All district headquarters and selected municipal towns may perhaps be included in this category.

(iii) *Defectiveness of record of rights.*—Nattukottai Chetti witnesses brought to my notice that according to the "grant system" now in force in Federated Malay States every piece of land has a grant number allotted to it by a record of rights officer and that the deed has to be deposited with the mortgagee if loan be taken on the mortgage of land. At the time of discharge the fact of the discharge has to be noted by the creditor on the back of the deed. In British India it is said that release of mortgage is not required to be noted in Sub-Registry Offices and so encumbrances on a property cannot be accurately ascertained by a creditor who wants to lend money on mortgage. This appears to be a hardship. It is worthwhile to consider in this connection the advisability of making provision in law to enforce registration of a cancellation, rectification or modification of encumbrances by mortgage deed and also to provide for registration of all documents dealing with immovable property.

(iv) *Stiffening of the insolvency law.*—Complaints were made that the insolvency law is rather favourable to debtors to a greater extent than it ought to be. An instance was cited by an income-tax officer of an insolvent debtor, who is understood to have hidden resources to the extent of 10 lakhs in the shape of jewels ostensibly belonging to the ladies of his house. The long delay that ensues in the declaration of final dividends is also said to be a cause of much inconvenience. I mention one suggestion made to an income-tax officer by a Chettiyar of replacing the present system of administration of insolvents' estates by a committee of non-officials and officials instead of by Official Receivers for the consideration of the Banking Enquiry Committee for what it is worth. Officers of the Law Department could offer suggestions in this matter.

(v) *Extension to indigenous bankers of the concession of privileges contained in Bankers Evidence Act.*—One witness complained that the detention by the civil courts of books of account kept by Nattukottai Chettis causes great inconvenience and therefore that Chettiyar bankers and money-lenders should be given the full privileges of the Bankers Evidence Act by requiring courts to be satisfied with copies of the accounts furnished by the Chetti shops. I think this concession may be allowed provided the courts, before taking the copies for use, see also the original accounts in order to satisfy themselves that the duplicate prepared is correct.

16. Question 8.—Improvement and consolidation of indigenous bankers.

So long as money-lending business and other businesses ancillary thereto are found by Chettiyars more lucrative in Federated Malay States, Ceylon, Cochin, China, etc., as appears to be the case at present—the figures in the appended statement E containing the rates of profits earned by typical assesseees in these places doing business abroad and locally bear out this inference—Chettis will be naturally disinclined to divert funds employed more profitably outside British India into this Presidency. On the other hand the experience of the income-tax officers in the Chettinad is that the movement of funds is in the other direction from British India to foreign places. Instances are seen of Chettis doing business here who are closing up their operations. The Income-tax Officer, Third Circle, Karai-kudi, mentions about 28 assesseees of Devakottai with a capital of 50 lakhs who are merely collecting their outstandings here and have put a stop to further money-lending transactions in Southern India. Other instances of the kind are mentioned elsewhere, e.g., by the Virudhunagar officer. Apart from the profitableness of business undertakings in Burma and abroad which drives out funds in those directions, there seem also other causes at work which contribute to the smallness of the money-lending transactions in South India. As I understand from hints given by Chettis of the middle and lower strata of that community, although the Imperial

Bank is recognised as doing a useful work to them by advancing large amounts on credit, they still do not appear to be appreciative of the conditions under which they have to get these loans. The rate of interest charged by the Imperial Bank—for Chettis they say it is 2 per cent above the notified bank rate—was one cause of complaint. It was alleged that Marwaris are charged only the bank rate and this discrimination against Chettis who nevertheless claim to contribute large income to the bank was complained off by several Chettis. Some stated that the not interest which they had to pay to the Imperial Bank, as a result of this excessive interest rate including incidental charges such as tips, commission, etc., came to 11 per cent and that the rates of interest chargeable to debtors in the conditions prevailing in this Presidency were not such as enabled them to get a sufficient margin of profits, after deducting the interest charges payable and the over head expenditure on account of subordinate staff, bad debts and other connected expenditure. Further, the middle-class Chettiyars are in dread of the manner in which the Imperial Bank in its dealings with them notifies default in respect of repayment of loans on the due dates. They say that the methods applied by the Imperial Bank are drastic and spell disaster to their credit, as immediately on the notification by the Imperial Bank of a default a rush is made on them by all their constituents which they are not able to meet. Although they admit on the one hand that the bank has shown consideration to big Chetti firms, e.g., the T.S. firm was mentioned as an instance of a business whose reputation was saved by accommodation lent by the Imperial Bank, they consider that if the Imperial Bank, instead of notifying default in the manner it does at present, imposed as an alternative penalties or gave longer notice of its demands for repayment of loans due, their credit would not run the risk of disaster that it now has to sustain in dealings under the Imperial Bank's present methods. Some Chettiyars said that if loans were advanced to them on easier terms and on lower rates of interest, there might be inducement to them to do business in this Presidency, notwithstanding the allurements of the fertile soil in Ceylon and Burma which makes business attractive in these places and that in such a case they won't mind imposition of conditions that the capital so lent to them in British India by any new agency to be started, such as Central bank or Reserve bank, should be employed only locally. They suggest that penalty conditions should be imposed in cases of delay in repayment instead of the default being notified as now done by the Imperial Bank. I venture to think that indigenous bankers, fulfilling as they do an important function at present and holding a definite position in the economy of the banking system in this country, require encouragement. They stand as intermediaries between the agriculturists on the one hand and the banks on the other which cannot directly reach the masses. Experience has taught the Chettiyar community that trade in piece goods, rice, etc., is not their line—some of the big Chettiyar firms that failed in the past were wholesale importers of piece-goods and others who did trade in unbusiness-like manner—and that in the money-lending profession they flourish. If rates of interest be brought down, Chettiyars will have to make up for it by expanding their credit and doing rural banking business. It will require time and education to induce Chettiyars to make themselves more serviceable to the community by working on the idea of combination on joint-stock principles and pooling their resources together and forming themselves into indigenous joint-stock companies. If they did so, I think they could expand their credit easily and attract far more capital from the outside public who are now shy of investing them in Chetti businesses owing to recent failures of big firms. Such borrowed capital could also attain a far higher proportion to their own capital, than the 50 per cent which seems to be the present average extent of borrowings of the Chettiyar community viewed as a whole. The idea of a reserve bank to be established by Government with centres in Presidency towns and branches at headquarters of districts, or selected mufassal stations, which will lend moneys to Chettis on credit up to definite limits to be fixed on the advice of local boards with local directorates, is welcomed by several of the middleclass Nattukottai Chettis. In such a case they won't mind supervision periodically of the individual businesses of indigenous bankers by State audit agencies; such supervision should, they consider, be restricted to a mere test of their financial stability and should not be of a censorious nature; nor would they object in such a case to publication periodically of their financial position. In this connexion I venture to suggest the following further reforms, which, I think, will have an effect directly or indirectly, of enabling funds locked up outside

British India to be released and will consolidate the financial position of the indigenous banking community operating in South India to a certain extent:—

(i) *Amendment of section 4 of the Income-tax Act.*—At present, as already stated, foreign profits earned abroad by Nattukottai Chettis in their businesses are not assessable to income-tax as they accrue each year, but only when profits are actually remitted into British India. This has the effect of locking up funds abroad, as the Nattukottai Chettis are afraid of being taxed by the income-tax authorities when remittances are made. If the law be amended so as to make the yearly income accruing abroad assessable to income-tax, irrespective of whether remittances are received in British India or not, the inducement to keep capital abroad will be taken away and a free flow of funds in either direction with reference to dictation of business requirements might be secured.

(ii) *Fluctuations in exchange rates* are one of the causes that contribute to flow of funds either side. If the dollar depreciates in value money rushes from British India to Saigon—there is such a rush now into French Cochin China—Federated Malay States, etc. When it appreciates there is a flow of funds in the other direction. At the present moment the dollar in Saigon has fallen in value. It stands at 110 against 140 two years back. Similar conditions prevail in Federated Malay States, the dollar being 140 against 175 a few years back. The question of preventing such fluctuations is a matter relating to Currency Reform.

(iii) *Standardization of forms of hundials in various vernaculars, and also of the form of deposit letters issued.*—Some of these are of doubtful legality, e.g., the hundi with nadappu rates of interest. It has been suggested that the link in the machinery of banking agencies operating in India would be strengthened, if vernacular hundials be made to conform to a definite standard.

(iv) One Nattukottai Chettiyar suggested that the Reserve bank if established should take powers to receive deposits from local and municipal bodies and quasi public institutions and trust funds and that the Indian Trusts Act which requires such funds to be deposited only in some form of securities should be suitably amended. I place this suggestion for the consideration of the Committee.

(v) *Abolition of Stamp Duty on hundis and Bills of Exchange.*—One gentleman said that the stamp duty now charged was one cause that impeded free use of bills of exchange and hundis in this country, whereas in England and America such a stamp duty was not charged. Abolition of this duty was suggested as a means of increasing velocity of credit in transactions relating to internal trade and developing banking. The suggestion may perhaps be considered when financial conditions of the Government permit.

17. *Question 9.*—After making allowance for legal expenses management charges, losses through default and through foreclosure, net return to indigenous bankers on their capital.

Reference is requested to the statement in Appendix D which shows the position as regards the Chettiyar indigenous bankers in each circle of the southern range. The percentage varies for each circle and on the whole the net result is a profit of 30.44 lakhs for a capital of 637 lakhs or about 5 per cent for operations in this Presidency. The Chettinad officers' estimate of average net profits in South India is fixed at 8 to 9 per cent in South India, 10 to 12 per cent in Ceylon, 12 to 15 per cent in Burma, and 15 to 18 per cent in Federated Malay States.

18. *Question 10.*—Ability of Nattukottai Chettiyar bankers to meet demands in South India?

So far as dealings of Nattukottai Chettis in this Presidency are concerned, if they do not advance more moneys to agriculturists and traders, it is not for want of working capital nor on account of the unacceptable nature of the securities offered. As already stated, there are other causes at work.

19. *Question 11.*—Linking of indigenous bankers with central and district institutions.

The banking system in India, if it is to be re-organized, should venture to think, be built from the bottom by providing a firmer and more widespread foundation, by offering advice and training to the indigenous bankers in up-to-date methods so that they may realise the advantages of modern system and adopt them, and by combining with that some form of general supervision. The adoption in India of measures similar to the English Money Lenders' Act of 1927 on lines suitable to this country will enable the Government to exercise a kind of supervision over money-lending operations conducted by indigenous bankers which was not hitherto possible. The best way to link indigenous bankers with a central money-market is through the organization of a Central Reserve bank with branches for each district or group of districts as the importance of the place may demand, the constituents of the branch being indigenous bankers of approved credit. Whether such constituents should be given the status of shareholders in a joint-stock company or any higher position is a matter of detail to be decided later on. A provincial head office may be organized to control and direct the branches. The local branches of the reserve bank will be able to command the confidence of the public by having on its directorate persons of approved character and financial capacity from among indigenous bankers and other prominent businessmen of the locality. Since constituents of the local branch will be indigenous bankers, there would, it is hoped, be no room for competition between them and the local branch. It will be one of the main functions of the local directorate of each branch to see that the concessions allowed are not misused and provision will have to be made for preventing the funds of each local branch, being diverted by its constituents for profiteering in foreign places like Federated Malay States, Ceylon, etc., and for ensuring their local employment.

20. *Question 12.*—Prevention of idleness of indigenous bankers' capital.

The close organization among Nattukottai Chettis enables them to keep their money employed throughout the year and no portion of it is idle at any time as they find several investments in different places of business which earn for them interest at least on the current rate fixed by their own community. There is no flow of money to the Provincial capital for long or short periods; but rather the flow is from India to Federated Malay States or Saigon which is specially marked in times of low exchange. Withdrawals into British India from foreign places are made only for specific expenses such as house building, marriage, pudumai, etc. Very rarely Chettiyars' capital is invested in their villages.

APPENDIX A.

The entire capital (own and borrowed) employed locally and in other places by the Nattukottai Chettiyar agencies who do local banking business.

Question 3.

(Figures in lakhs to two places of decimals.)

Name of circles.	Number of bankers doing business locally.	Amount of capital invested.	Borrowed capital.	Volume of business.	Expenses.
<i>Chettinad.</i>		RS.	RS.	RS.	RS.
Karaikudi I	33	238.82	108.72	347.54	10.77
Do. II	14	59.03	123.89	182.92	13.31
Do. III	74	101.76	53.43	155.18	5.11
Sivaganga	15	113.78	58.90	172.68	3.85
Total ..	136	513.38	344.94	858.32*	33.04
Trichinopoly I	21	43.85	22.45	66.30	2.59
Do. II	12	12.44	2.21	14.65	0.79
Dindigul	19	11.97	25.23	37.20	1.99
Madura, North	4	0.65	2.30	2.95	0.22
Madura, South	8	18.93	17.53	36.46	4.52
Virudhunagar	10	6.17	5.51	11.68	0.78
Tuticorin	22	17.82	10.76	28.58	1.52
Tinnevely	11	12.42	28.22	40.64	2.69
Total ..	107	124.25	114.21	238.46	15.10
Grand total ..	243	637.63	459.15	1,096.78	48.14

* Distribution—

	RS.
Local money-lending ..	217.54
Burma	313.64
Federated Malay States, etc.	265.19
Ceylon	61.95

NOTE.—Total of own and borrowed capital of the Nattukottai Chettis assessed by the four Chettinad officers employed in business in all places, i.e., locally, Burma and foreign places is estimated as under :—

Name of circle.	Number of assesses.	Own capital.	Borrowed capital.
		RS.	RS.
1. Karaikudi I	934	823.47	518.26
2. Do. II	885	651.43	535.89
3. Do. III	648	451.75	203.43
4. Sivaganga	415	156.54	324.04
Total ..	2,882	2,483.19	1,481.62

Approximately borrowed capital is half of own capital.

APPENDIX B.
Comparative statement showing Nattukottai Chettis' current rate of interest (செட்டி வட்டி) in the
various places and Imperial Bank's rates.
Question 5.
Vibhava.

Month.	Madras.		Rangoon.		Penang.	Singapore.	Colombo.	Imperial Bank.	
	Rate per cent per month.	Rate per cent per annum.	Rate per cent per month.	Rate per cent per annum.	Rate per cent per month.	Rate per cent per annum.	Rate per cent per month.	Rate per cent per annum.	Bank rate. Chettis.
Chitral ..	Rs. A. P. 0 14 3	10-69	Rs. A. P. 0 13 0	9-75	Rs. A. P. 0 11 0	8-25	Rs. A. P. 0 12 3	9-19	7 9
Vaikasi ..	0 12 3	9-94	0 12 0	9-00	0 11 0	8-25	0 12 9	9-66	7 9
Ani ..	0 12 0	9-00	0 11 0	8-25	0 11 0	8-25	0 12 0	9-00	6 8
Adi ..	0 9 6	7-13	0 9 0	6-75	0 11 0	8-25	0 10 9	8-06	5 7
Avani ..	0 9 0	6-75	0 8 0	6-00	0 11 0	8-25	0 11 0	8-25	5 7
Purattasi ..	0 10 0	7-50	0 9 0	6-75	0 10 9	8-06	0 10 6	7-88	5 7
Arjisi ..	0 10 6	7-88	0 9 6	7-13	0 10 9	8-06	0 10 6	7-88	5 7
Karthigai ..	0 11 0	8-25	0 10 6	7-88	0 10 9	8-06	0 10 9	8-06	6 8
Margali ..	0 12 0	9-00	0 11 6	8-63	0 10 9	8-25	0 11 9	8-81	7 9
Thai ..	0 13 0	9-75	0 13 0	9-75	0 11 0	8-25	0 12 0	9-00	7 9
Masi ..	0 14 0	10-50	0 13 0	9-75	0 11 0	8-25	0 12 9	9-56	8 10
Panguni ..	0 14 3	10-69	0 13 0	9-75	0 11 0	8-25	0 11 9	8-81	7 9
Total ..	8 14 9	8-92	8 4 6	8-27	8 3 0	8-19	8 10 9	8-67	8-25
Chitral ..	0 13 6	10-13	0 12 0	9-00	0 11 0	8-25	0 12 0	9-00	6 7
Vaikasi ..	0 12 6	9-38	0 11 0	8-25	0 11 0	8-25	0 10 9	8-06	5 7
Ani ..	0 11 6	8-63	0 10 0	7-50	0 11 0	8-25	0 10 9	8-06	5 7
Adi ..	0 9 6	7-13	0 9 0	6-75	0 11 0	8-25	0 10 3	7-69	5 7
Avani ..	0 9 0	6-75	0 9 0	6-75	0 11 0	8-25	0 10 3	7-69	5 7
Purattasi ..	0 9 6	7-13	0 9 6	7-13	0 11 0	8-25	0 10 3	7-69	5 8
Arjisi ..	0 11 0	8-25	0 10 0	7-50	0 11 0	8-25	0 10 6	7-88	6 9
Karthigai ..	0 12 0	9-00	..	..	..	..	0 10 9	8-06	..

Sukla.

APPENDIX B—cont.

Comparative statement showing the constant rates of monthly interest of Nattukottai Chettis in the four places mentioned and the Imperial Bank rates.

Month.	Madura.		Tinnevelly.		Negapatam.		Jaffna.		Imperial Bank.					
	Rate per cent per month.	Rate per cent per annum.	Rate per cent per month.	Rate per cent per annum.	Rate per cent per month.	Rate per cent per annum.	Rate per cent per month.	Rate per cent per annum.	Bank rate.	For Chettis.				
	A.	P.	A.	P.	A.	P.	A.	P.						
Chitrai	16	0	12-00	16	0	12-00	13	0	9-75	16	0	12 00	7	9
Vaikasi	14	9	11-06	14	0	10-60	12	0	9-00	14	6	10-88	7	9
Ani	13	0	9-75	13	0	9-75	11	0	8-25	14	6	10-88	6	8
Adi	11	0	8-25	12	6	9-38	10	0	7-50	14	6	10-88	5	7
Avani	9	9	7-31	12	0	9-00	9	0	6-75	14	6	10-88	5	7
Purattasi .. .	8	0	6-00	10	0	7-60	8	0	6-00	11	6	8-63	5	7
Arpisi	8	0	6-00	8	0	6-00	8	0	6-00	11	6	8-63	5	7
Karthigai .. .	7	0	5-26	8	0	6-00	8	0	6-00	11	6	8-63	6	8
Margali	9	9	7-31	9	6	7-13	9	0	6-75	11	6	8-63	7	9
Thai	10	3	7-69	13	0	9-75	10	0	7-50	16	0	12-00	7	9
Masi	13	3	9-94	16	0	12-00	12	0	9-00	16	0	12-00	8	10
Panguni	16	0	12-00	16	0	12-00	13	0	9-75	16	0	12-00	7	9

APPENDIX C.

Question 5.

Thavanai rates of interest—Rangoon, Penang and Singapore, for Vibhava and Sukla.

				Rangoon (thavanai period of rest, two months).		Penang thavanai (a matter of settlement between parties) three months' rest.	Singapore (three months' rest).
				Vibhava.	Sukla.	Vibhava.	Sukla.
				AS.	AS.	AS. P.	AS. P.
Chitrai ..	..	..	..	13 and 12	12 and 10½	..	10 3
Vaikasi ..	..	..	..	11½ and 11	11½ and 10½	..	10 3
Ani ..	..	..	..	10½	10 and 9½	..	10 3
Adi ..	..	..	..	10, 9 and 8	9½, 9 and 8½	..	10 3
Avani ..	..	..	..	8 and 7½	8½ and 8	..	10 3
Purattasi ..	..	..	..	8 and 8½	9, 8½ and 9½	10 3	10 3
Arpisi ..	..	..	..	9	9½	..	10 3
Karthigai ..	..	..	..	9½ and 10	9, 11 and 11½	..	10 3
Margali ..	..	..	..	10½, 11, 11½ and 12	..	..	..
Thai ..	..	..	..	12 and 12½	..	10 3	..
Masi ..	..	..	..	12½	..	..	..
Panguni ..	..	..	..	12½ and 13	..	..	..

APPENDIX D.

Net return to the Nattukottai Chettiyars, who do locally indigenous banking business, on their capital.

Question 9.

(Figures in lakhs to 2 places of decimals.)

Name of circles.	Number of banks doing business locally.	Capital.	Gross receipts.	Expenses.				Net return.	Percentage of profits to own capital.
				Interest.	Bad debts.	Other expenses.	Total.		
CHETTIYAR.									
		RS.	RS.	RS.	RS.	RS.	RS.	RS.	
Karaikudi I ..	33	238.82	15.55	8.39	.85	1.53	10.77	4.78	2.00
Do. II ..	14	59.03	18.97	10.40	.74	2.17	13.31	5.66	9.58
Do. III ..	74	101.75	12.81	3.32	.63	1.16	5.11	7.70	7.66
Sivaganga ..	15	113.78	8.97	3.00	.20	.65	3.85	5.12	4.49
Trichinopoly I ..	21	43.85	4.27	1.32	.23	1.04	2.59	1.68	3.83
Do. II ..	12	12.44	1.47	.50	.03	.26	.79	.68	5.46
Dindigul ..	19	11.97	3.97	1.51	.12	.36	1.99	1.98	16.54
Madura North ..	4	.65	.45	.14	.01	.07	.22	.23	35.38
Do. South ..	8	18.93	5.35	2.08	1.14	1.30	4.52	.83	4.38
Virudhunagar ..	10	6.17	.77	.45	.14	.19	.78	— .01	..
Tuticorin ..	22	17.82	2.33	1.10	.05	.37	1.52	.81	4.54
Tinnevely ..	11	12.42	3.67	2.17	.16	.36	2.69	.98	7.89
Total ..	243	637.63	78.58	34.38	4.30	9.46	48.14	30.45 — .01 30.44	101.65

APPENDIX E.

Statement showing in detail rates of profits derived in selected typical cases by :—

A. Ten persons doing local money lending business.

B. Seven persons doing money lending business in Burma.

C. Seven persons doing money lending business in Federated Malay States and Ceylon.

Typical cases.	Capital.				Profit.			Percentage of net profit to own capital.
	Own.	Borrowed.	Total capital.	Proportion of own to borrowed capital.	Gross profit.	Expenditure.	Net profit.	
(a) Local money lending.	LAKHS.	LAKHS.	LAKHS.		RS.	RS.	RS.	
1.	3.30	.30	3.60	11:1	19,910	1,116	18,794	5.70
2.	1.32	2.02	3.34	2:3	18,536	11,944	6,592	5.01
3. (.17 lakh in F.M.S.)	2.91	2.90	5.81	1:1	74,309	37,310	36,999	12.7
4. (.36 in Ceylon and F.M.S.)	1.69	.68	2.37	3:1	40,054	14,922	25,132	14.87
5.	1.55	.24	1.79	6:1	18,207	206	18,001	11.6
6. .. ..	.60	2.12	2.72	2:7	39,336	22,745	16,591	26.00
7. .. ..	.69	..	.69	..	3,795	790	3,005	4.35
8. (1.33 lakhs in F.M.S.)	1.50	7.99	9.49	3:16	60,764	49,202	11,562	7.7
9.	5.31	2.63	7.93	2:1	75,187	26,681	48,506	9.13
10.	1.44	2.24	3.68	2:3	31,726	22,297	9,429	6.5
(b) Burma business.								
11.	2.40	4.60	7.00	1:2	1,10,500	61,898	48,602	20.25
12.	1.00	5.40	6.40	2:13	67,779	46,338	21,441	21.44
13.	1.10	1.00	2.10	1:1	38,847	22,671	16,176	14.65
14.	4.98	12.20	17.18	5:12	2,04,402	94,678	1,09,724	22.00
15.	10.69	3.11	13.80	7:2	1,53,598	39,294	1,14,294	10.7
16.	2.49	5.61	8.10	5:11	1,05,740	66,492	39,248	15.8
17.	6.40	17.70	24.10	1:3	..	..	1,06,475	16.6
(c) Foreign business.								
18. .. (F.M.S.)	.57	.37	.94	5:3	14,901	8,306	6,595	11.62
19. .. (F.M.S.)	3.00	1.30	4.30	3:1	1,76,880	54,515	1,22,365	40.79
20. .. (F.M.S.)	1.40	..	..	..	51,323	12,641	38,682	27.63
21. Ceylon ..	.65	1.13	1.78	1:2	21,164	14,087	7,127	11-P.C.
22. .. ..	.94	.40	1.34	2:1	16,200	6,448	9,752	10.37
23.13	.14	.27	1:1	5,265	2,123	3,132	24.1
24.	6.00	1.58	7.58	4:1	84,735	22,166	62,569	10.4

APPENDIX F.

Sample forms.

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APPENDIX F-I (1).

Darisanai Hundis.

Two thousand two hundred and sixteen and annas nine only.

No. 1521.

Rs. 2,216-9-0.

உ
செவ்வயம்.

அண்ணாமலையார் துணை.

க. வீ. அன. குவாலாலம்பூர்.

K. V. AL. Kwalalumpur.

1927-ம் ஆண்டு டிசம்பர் மீ 1உ குவாலாலம்பூரில் ச. அ. அப்துல்காதர் வரவு க. வீ. அன. கடை பற்று ரூ. (உதுஉஉயகஇய), இந்த ரூபாய் இரண்டா யிரத்து இருநூற்றிப்பதினாரையே வீசம்மட்டும் தெரிசனையில் இது கொண் டெருகிற கா. இபுராமல்லி அம்பலம் ஆடருக்கு கொண்டுவந்தார் வசம் மது ராஸ் க. வீ. அன. சௌரிராஜய்யங்கார் பணம் கொடுத்து இதில் செல்லுடன் யிவடம் பத்தெருகிக்கொள்கிறது.

Cash paid.

K. V. AL.

இந்தப்படிக்கு,
க. வீ. அன. முத்தையா செட்டி.
K. V. AL. Muthiah Chetty.

பிரபவஹு
கார்த்திகையி
கசுஉ.

3C

F. M. S.

Stamp.

Translation.

Rupees 'Two thousand two hundred and sixteen and annas nine only.'

'No. 1521.'

'Rs. 2,216-9-0.'

'K.V.AL., Kwalalumpur.'

1st December 1927.

Cr.—S. A. Abdul Qadir of Kwalalumpur.

Dr.—K. V. AL. Firm, Rs. 2,216-9-0.

K. V. AL. Sowriraja Ayyangar to pay at sight the bearer at Madras the sum of rupees two thousand two hundred and sixteen and annas nine only mentioned above to the order of K. Ibaramalli Ambalam who brings this and debit the same in our accounts with an endorsement of the payment hereon.

'Cash paid
K.V.A.L.'

Endorsements on back of Hundi.

சா. இபுராமல்லி அம்பலம்.

S. N. Ma. Usa.

No. 501.

அவ்விடம் ச. நா. நா. கடைவில் செலுத்தவும்.

ச. நா. காசி அய்யர்.

பிரபவஞ் கார்த்திகை 28உ இதில்கண்ட ரூ. 2,216-9-0 ம் பெற்றுக் கொண்டேன்.

ச. நா. நா. வகை. A. S. Ramaswami Ayyar.

Translation.

K. Iburamalli Ambalam.

'S.N.Ma.Usa.

No. 501.'

Pay to the S. N. N. Firm of that place.

S. N. KASI AYYAR.

28th Kartigai of Prabava year.

Received Rs. 2,216-9-0 mentioned herein.

'A. S. RAMASWAMI AYYAR.'

for S.N.N.

TRANSLATION MEMO.

No. _____

Rs. _____

Drawer _____

Acceptor _____

Endorsers.	{	1 _____
		2 _____
		3 _____

Dated at _____

Currency _____

Due at _____

Date of acceptance _____

IMPERIAL BANK OF INDIA, }

APPENDIX F-I-2.

Hundi bearing Nadappu interest from a fixed date.

No. 87.

Rs. 900.

சிலமயம்.

அண்ணாமலையார் துணை.

கோட்டையூர், க. வீ. அள.

Kottaiyur, K. V. AL.

பிரபவவருஸ் பிரட்டாசிஸ் அட காரைக்குடி ஆத. அ. சிவ. வரவு
கோட்டையூர் க. வீ அள. கடைபற்று ரூ. (கா) இந்த ரூபாய் தலாயிரம்மட்
மெ ஷையா ஆட ருக்கு கொண்டுவந்தார் வசம் தாளது ஆவணியீ கஉ. முதல்
நடப்புவட்டியுடன் மதுராவில் யெங்கள் செளரிராஜ்யங்கார் பணம்கொடுத்த
செல்லுடன் ரூம. மு. கணக்கில் பற்று எழுதிக்கொள்கிறது.

Cash paid.

K. V. AL.

இந்தப்படிக்கு,
க. வீ. அள. ரூமனாத்த செட்டி.

க. வீ. அள.

1927ஆஸ்
ஸெப்டம்பர்மீ
24உ.

Seal
1 anna
stamp.

Translation.

'Kottaiyur K.V.AL.'

'No. 87.'

'Rs. 900.'

8th Purattasi of Prabava year.

Cr.—AT. A. SV. of Karaikudi.

Dr.—Kottaiyur K. V. AL. Firm, Rs. 900.

Our Sowriraja Ayyangar to pay the bearer at Madras the sum of
rupees nine hundred only mentioned above together with interest at the
current rate from the 9th Avani of the current year to the order of the
above-mentioned person and debit the same in the accounts of R.M.M. with
an endorsement of the payment hereon.

'Cash paid
K.V.AL.'

24th September 1927.

K. V. AL. RAMANATHAN CHETTI.

K.V.AL.
'seal.
One anna
stamp.'

Endorsement on back.

வி. கரு. சித.
9-8-28.

சூத. அ. சிவ. அண்ணாமலை செட்டியார்.

வட்டி ரூ. 9-8-8.

No. 585.

தா. ச. வெ.

பிரபவகுட புரட்டாசி 24உ செவ். சூ. (கா)ம் வட்டியும் பெற்றுக்
கொண்டேன்.

வி. கரு. சித. நமசிவாயம்
வட்டிக்கி. துரைசாமி அய்யர்.

Translation.

V.KR.C.T., 9th August 1928.

AT. A. SV. Annamalai Chettiyar. Interest Rs. 9-8-8.

'No. 585'.

N.S.V.

Payment on the 24th Purattasi of Prabava year.

Received Rs. 900 together with interest.

V. KR. CT. NAMASIVAYAM.
Interest, K. DORAIWAMI AYYAR.

APPENDIX F-I-3-a.

Hunds bearing Nadappu interest from date of issue to date of encashments.

No. _____ செவமயம்.

Rs. _____

மெ. நா. மெ. செய்கோன்.

M. N. M. SAIGON.

193— — —

வரவு

மெ. நா. மெ. பத்து ரூபாய் _____

இந்த ரூபாய் _____

அவடம் தடப்பு வட்டியுடன் _____

ஆர்டருக்கு இது

கொண்டுவந்தார் வசம் மதுராசில்

பணம் கொடுத்து இதில் செல்லு

டன் யெங்கள் கணக்கில் பத்தெழு

திக்கொள்ள வேண்டியது.

— — — } மெ. நா. மெ.

No. _____ செவமயம்.

Rs. _____

மெ. நா. மெ. செய்கோன்.

M. N. M. SAIGON.

193— — —

வரவு

மெ. நா. மெ. பத்து ரூபாய் _____

இந்த ரூபாய் _____

அவடம் தடப்பு வட்டியுடன் _____

ஆர்டருக்கு இது

கொண்டுவந்தார் வசம் மதுராசில்

பணம் கொடுத்து இதில் செல்லு

டன் யெங்கள் கணக்கில் பத்தெழு

திக்கொள்ள வேண்டியது.

— — — } இப்படிக்கு,

மெ. நா. மெ.

Translation.

'No. _____'

'Rs. _____'

'M. N. M. SAIGON.'

Dated _____ 19 .

Cr. _____

Dr.—M. N. M. _____ Rs. _____

_____ to pay the bearer

hereof at Madras the sum of Rs. _____

mentioned above together with interest, at

the rate of current at that place, to the order

of _____

and debit the same in our accounts with an

endorsement of the payment hereon.

Dated, _____ M.N.M.

'No. 203.'

'Rs. 1,500.'

'M. N. M. SAIGON.'

10th January 1929.

Cr.—M.L.

Dr.—M.N.M. Rs. 1,500.

'AL. KR. Karuppan Othettiar' to

pay the bearer hereof at Madras the

sum of Rupees One thousand five hun-

dred only mentioned above together

with interest, at the rate current at

that place, to the order of the afore-

said Raju Pillai and debit the same in

our accounts with an endorsement of

the payment hereon.

'10th
January
1929.'

'One anna
stamp.'

M.N.M.
'Signed.
Suppiah
Pillai.'

APPENDIX F-I-3(b).

Hundi bearing interest from date of issue to date of encashment.

No. 67.

Rs. 5,000.

செவ்வாய்.

அண்ணாமலைவாசி தலைவர்.

மதராஸ் க. வீ. அள.

Madras K. V. AL.

1924-ம் ஆண்டு நவம்பர் மீ 25.

செவ்வாய் அள. கிருஷ்ணசாமி அய்யர் மாரல் ஷே பாசியாள் மீனாட்சி அம்மாள் வாவு க. வீ. அள. கடை பந்து ரூ. 5000. இந்த ரூபாய் அய்யாசிரம் மட்டில் இது கொண்டு வருகிற ஷேயார் வசம் வசம் செ. நடப்பு வட்டிக்கு பவி வட்டி பதில தாமே பணம் குடுத்து இதை செல்லுடன் பெற்றுக்கொள் கிறது.

Cash paid.

K. V. AL.

இப்படிக்கி, க. வீ. அள.
அளகப்ப செட்டி.

ரக்தாஷ்டி (ரூ.)
கார்த்திகை மீ,
1924.

Translation.

'Hundi bearing interest from date of issue to date of encashment.'

'No. 67.'

'Rs. 5,000.'

'Madras K.V.A.L.'

25th November 1924.

Cr.—Meenatchi Ammal through her husband Chidambaram N. Krishna-
swami Ayyar.

Dr.—K. V. AL. Firm. Rs. 5,000.

Ourselves to pay the above-mentioned person who brings this the sum of rupees five thousand only mentioned above together with interest at the rate of one anna less than the rate current in Madras and take this back with an endorsement of the payment hereon.

'Cash paid
K.V.A.L.'

K. V. AL. ALAGAPPA CHETTI.

4 One-anna stamps.

குரோதனாஸ் கார்த்திகையி 24௨ செல் ரக்தாஷிஸ் கார்த்திகையி ௨௨௬௬ நாளது புரட்டாசிமி 30௨ வரை வட்டி தூ. (நாகயசனாசுட) முதல் நூத்திராலே அரைக்காலும் அரை வீசம்.

அற்பிசிமி 1௨ முதல் ஐய வட்டி பதிய அக்ஷயஸ் சித்திரையி 23௨ செல் குரோதனாஸ் அற்பிசிமி 1௨ முதல் பங்குனிமி 30௨ வரை வட்டிக்காக, தூ. (187-9-8) நூத்தியெண்பத்தியேழு அனா ஒன்பது பை எட்டம்.

மீனாட்சி அம்மாள்.

அக்ஷயஸ் ஐப்பிசிமி ௨௨௨ செல்லு நாளதுஸ் சித்திரையி ௧௨ முதல் முன் மீ நயவரை வட்டிசுட்டிடைப்படி வட்டியில் தூ. (நாகயசனாசுட) நூத்திமுப்பத்தொன்பதே முக்காலே வீசம் அரை வீசமும் ஷெ உயில் அசலுக்கு செல்லு தூ. (உதுஞா) இரண்டாயிரத்து ஐதாலும் ஆக தூ. (உதுஞாநயகஜபலிசுட) இரண்டாயிரத்து அரநூத்திமுப்பத்தொன்பதே முக்காலே வீசம் அரை வீசம்).

பிரபவஸ் வைகாசிமி ௨௨௨ செல்.

முன் ஸ்ரீ ஐப்பிசிமி ௧௨ முதல் பங்குனிமி ௩௨௨ வரை வட்டி சிட்டிடைப்படி வட்டியில் தூ. (நாகயசனாசுட) நூத்திமுனைமுக்காலே அரைக்காலும் அரை வீசம்).

Rs. 103-14-6.

1-6-27.

Received Rs. 2,608-0-4 balance of principal and interest up to date settled.

(Signed) மீனாட்சி அம்மாள்.

T. R. Venkatesa Ayyar,
H. C. Vakil,
Triplicane, Madras.

Translation.

'4 one-anna stamps.'

Payment on the 24th Kartigai of Krothana year.

Interest from the 10th Kartigai of Rakthatchi year to the 30th Purattasi of the current year—Rs. (394-2-6) three hundred and ninety-four, annas two and pies six.

Interest to be charged at two annas less from the 1st Aippasi.

Payment on the 23rd Chittrai of Atchaya year.

Towards interest from the 1st Arpisi of Krothana year to the 30th Panguni—Rs. (187-9-8) one hundred and eighty-seven, annas nine and pies eight.

MEENATCHI AMMAL.

Payment on the 13th Aipisi of Atchaya year.

Towards interest from the 1st Chittrai of the current year to the 30th of the previous month as per interest account—Rs. (139-13-6) one hundred and thirty-nine, annas thirteen and pies six. Payment on the same date towards the principal—Rs. (2,500) two thousand and five hundred. Total Rs. (2,639-13-6) two thousand six hundred and thirty-nine, annas thirteen and pies six.

Payment on the 19th Vaigasi of Prabava year.

Towards interest from the 1st Aipisi of the previous year to the 30th Panguni as per interest account—Rs. (103-14-6) one hundred and three, annas fourteen and pies six.

Rs. 103-14-6.

1st June 1927.

Received Rs. 2,608-0-4 balance of principal and interest up to date settled.

(Signed) Meenatchi Ammal.

T. R. Venkatesa Ayyar,
High Court Vakil, Triplicane, Madras.

APPENDIX F-I-3(c).

Hundi bearing nadappu interest from date of issue to date of encashment.

செவமயம்.

ரத்தாச்சிஸ் அப்பிசிஸ் யெ. கானுகொத்தான் A. B. C. அவர்கள் பற்று மேச்செவலப்பட்டி X. Y. Z. பற்று நான் மேத்தான் கடையில் மேலாகுக்கு யிருத்தகொண்டு வேலை செய்துவந்ததில் சாமானுக்காக ரொக்கம் எடுத்துக்கொண்டு வந்ததில் தரவேண்டியது ரூ. (௩௫) இந்த மூலாயிரத்துக்கும் ரெங்கோன் நடப்பு வட்டியுடன் தங்கள் ஆடருக்கு கொண்டுவந்தவர்கள் கேட்டும்போது ரெங்கோன் R. S. T. அவர்கள் பணம் கொடுத்து இதில் செல்லுடன் என் கணக்கில் பற்று எழுதிக்கொள்ளவேண்டியது.

இந்தப்படிக்கு	1 anna. (Signed)	1 anna. X.	1 anna. Y.	1 anna. Z.
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(Signed) A. B. C.

Translation.

10th Aippasi of Rakthatchi year.

Cr.—'A.B.C.' Avargal of Kanadukattan.

Dr.—'X.Y.Z.' of Kilachivalpatti.

The amount which is due from me in the course of my drawing money towards my share in the profits while I was working as the agent in Kima-nathan firm is Rs. 3,000. 'R.S.T.' Avargal of Rangoon will pay the bearer on demand to your order the sum of rupees three thousand mentioned above together with interest at the rate current in Rangoon and debit the same in my accounts with an endorsement of the payment hereon.

'1 anna (Signed)'	'1 anna X.'	'1 anna Y.'	'1 anna Z.'
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Endorsement on the reverse.

அச்சையஸ் ஆடிஸ் கடை இந்த உண்மையிலுக்குள்ள ரூ. ௩௫ ம் வட்டி ரூ. சாருய்க்கிறும் ஆக ரூ. ௩௫சாருய்க்கிறும் ரெங்கோன் R. S. T. கடை - ரூ. மதராஸ் உண்டியல் 1-க்கு ரூ. ௨௫ அளவுக்கு-ம் ரொக்கம் ரூ. ரொகயஅறு-ம் பெற்றுத்தொண்டோம். தண்கொண்டு வேலைக் கணக்குப் பார்த்து சகலமும் தீர்ந்துவிட்டபடியால் சம்பளச்சீட்டும் வர்த்தமான் லெட்டரும் கொடுத்தாயிட்டு.

இந்தப்படிக்கு (Signed) A. B. C.

(Signed) 'A.B.C.'

1st Adi of Atchaya year.

Translation.

Principal of this hundi	Rs. A. P.
Interest	3,000 0 0
...	451 10 0
Total	3,451 10 0

We have received Rs. 2,883-8-0 through Madras hundi No.....of 'R.S.T.' firm, Rangoon, and Rs. 568-2-0 in cash. As everything has been settled after an examination of the agency accounts, the salary chit and the letter of agreement have been handed over.

(Signed) 'A.B.C.'

APPENDIX F-I-4.

*Hundi not bearing interest after a fixed date.*உ
கைமையம்.மதராஸ்,
அன. கரு.

ஸ்ரீ அமிர்தவல்லி அம்பாள் துணை.

21

பள. வெ. சூம. வெ.
காரைக்குடி.PL V. RM. V.,
Karaikkudi,
Ramnad district.

No. 10.

விபவஞ்ஞ புரட்டாசிமீ 19௨.

காரைக்குடி செ. க. சுந்தரராஜய்யங்கார் வசவு ஷெயூர் பள. வெ. சூம. வெ. தானது உயில் தங்களிடம் கிரயம் வாங்கியிருக்கிற மகர்நோம்பு சூமசாமி அக்கிரஹாரம் யூனியன் 2-வது வார்டு 505-ம் கீ. வீட்டுக்கு கிரயத் தகை பாக்கி கொடுக்கவேண்டியது ரூ. (அரு). இந்த ரூபாய் எண்ணுயிரத் தக்கும் தானது உ முதல் மதராஸ் நடப்பு வட்டியுடன் ஷெயார் ஆடருக்கு இது கொண்டுவந்தார் வசம் கேட்கும்போது மதராஸில் அன. கரு. வீரராக உஞ் செட்டியார் பணம் கொடுத்து இதில் செல்லுடன் வெ. பி. கணக்கில் பத் தெழுதிக்கொள்ளவேண்டியது. ஷெ. உண்டியலுக்கு தானது அம்பிசிமீ 19௨ முதல் வட்டியில்லை.

(Signed) பள. வெ. சூம. | வெ. வெங்கி டாசலுஞ் செட்டி.
4-10-1928.

Translation.

'Pl. V. RM. V., Karaikkudi, Ramnad district.'

AL. KR., Madras.

'No. 10.'

19th Purattasi of Vibhava year.

Cr.—S. K. S. Sundararaja Ayyangar of Karaikkudi.

Dr.—PL. V. RM. V. of the aforesaid place.

The amount due towards the purchase money of house No. 505 in the 2nd ward of Magarnombu Ramaswami Agraharam Union, which I have purchased from you on this date, is Rs. 8,000. AL. KR. Viraraghavan Chettiyar will pay the bearer hereof on demand at Madras, the sum of rupees eight thousand mentioned above together with interest at the rate current in Madras from this date to the order of the abovementioned person and debit the same in the accounts of L.P. with an endorsement of the payment hereon. This hundi will not bear interest from the 19th Aippasi of the current year.

(Signed) PL. V. RM. V. Venkatachalam Chetti.

4th October 1928.

Stamp
PL. V. RM. V.,
Karaikkudi,
Ramnad district.

Stamp—

பா. வெ. ரும. வெ.,
காரைக்குடி.

PL. V. RM. V,
Karaikkudi,
Ramanad district.

Endorsement.

இதற்குள்ள அசலும் வட்டியும் மதுரை ஆ. கு. அ. ஆ. அ. அண்டு கோ.
ஆர்டருக்கு பணம் குடுக்கிறது.

- (1) (Signed) செ. க. க. சுந்தரராஜய்யங்கார்.
- (2) (Signed) ஆ. கு. அ. ஆ. அ. & கோ., சின்னயா நாடார்.
- (3) S. N. S. S. Madura, No. 2793 அவ்விடம் ச. நா. நா. கடை
யில் செலுத்தவும்.

(Signed) ச. நா. ச. ச. ருமசாமி அய்யர்.

- (4) விபவகுழி அற்பிசெய் 8௨ ரெஸ் ரூ. 8,000, எண்ணுபிரமட்
மெ, பெற்றுக்கொண்டேன்.

(Signed) ச. நா. நா. சுப்பிரமணிய அய்யர்.

Translation.

Pay the principal and interest in respect of this to the order of
Messrs. A. K. A. A. A. & Co., Madura.

1. (Signed) S. K. S. Sundararaja Ayyangar.
2. (, ,) Messrs. A. K. A. A. A. & Co., Chinnayya Nadar.
3. (, ,) 'S. N. S. S., Madura, No. 2793.'

Pay to S.N.N. firm of that place.

(Signed) S. N. S. S. Ramaswami Ayyar.

4. Payment on the 8th Aippasi of Vibhava year, Rs. 8,000. Received
(rupees eight thousand) only.

(Signed) S. N. N. Subramania Ayyar.

APPENDIX F-II—(1).

Deposit Receipts.
Thavanai letter.—(1).

தெ. து. வெ. சித.,
பிணங்கு.

தெ. து. வெ. கும.
பிணங்கு.

(Thavanai letter—Penang 3 months' thavanai.)

சுவமயம்.

பிரபவஸ்ர புரட்டாசிமீர் 31௨.

வெங்கிடாசலம் எழுதிக்கொண்டதிப்பவும் நாளது உயில் தங்கனிடம் வாங்கியது ரூ. 1,000-மும், பிரபவஸ்ர மார்ச்சுமீர் 4௨யில் வாங்கியது ரூ. 1,200-ம், பிணங்கு நமீர் தவணை வட்டியும் முதலும் தாங்கள் கேட்கும்போது தந்து, இந்த லெட்டரை வாங்கிக்கொள்வேனாகவும்:—
தெ. து. வெ. சித. வெங்கிடாசலஞ் செட்டியார் (என்று).

Translation.

T. RM. V. CT., Penang.

T. RM. V. RM., Penang.

31st Purattasi of Vibhava year.

I, Venkatachalam, shall pay you on demand the sum of \$1,000, which I have received from you on this date, as well as the sum of \$1,200, which I received on the 4th Margazhi of Prabhava year, together with interest at the rate prevailing for three months' fixed deposit in Penang, and take back this letter.

(Signed) T. RM. V. CT. Venkatachalam Chettiyar.

கத்தோ
வெ. கு. சித.

ஈப்போ
மெ. செ.

Thavanai letter (2).

(Saigon—Thavanai—Interest at one anna in excess of Saigon nadappu vaddi.)

சுவமயம்.

பிரபவஸ்ர சித்திரைமீர் 29௨.

வீரப்பன் எழுதிக்கொண்டதிப்பவும் தங்கள் கணக்காய் செய்கோன் அ. ரு. ரூ. நாளதுமீர் ௧௭௨ யில் வாங்கியது ரூ. (௧௫)-ம் இந்தரிங்கி அய்யா பிரமும் செய்கோன் வட்டிக்கி மேல் வியன் வட்டி வீசம் கூட தொண்ணாறு நாள தவணை (இ நூ) வட்டிக்கு வரவு வைத்துக்கொண்டோம். பின்வரும் தவணைகளுக்கும் தவணை தேதிகளிலிருக்கிற வட்டிக்கிமேல் வியன் வீசம் கூட சேர்த்து உடிய வட்டியும் முதலும் தந்து இந்தக் கடிதாசியை செல்லுடன் பெற்றுக்கொள்வேனாகவும்

வேணும்,

வெ. கு. சித. முருகப்ப செட்டியாரொழுந்த.

Translation.

V. K. CT., Kantho.

M. S., Eapo.

29th Chittirai of Prabhava year.

Written by Virappan. The amount received on the 17th instant from A. RM. of Saigon on your account is \$5,000. We have credited this sum of (five thousand dollars) and it will bear interest at one anna in excess of the rate (11 annas) current in Saigon for 90 days' fixed deposit. I shall pay the principal together with interest at one anna in excess of the rate current on the due dates even for subsequent fixed deposits and take back this letter with an endorsement of the payment hereon.

(Signature of) V. R. CT. Murugappa Chettiyar.

Thavananai letter—(3).

செய்கோன்.
X. Y. Z.செய்கோன்.
A. R.உ
சிவமயம்.

(Saigon thavananai.)

குஜேதன ஹஸ் மார்சுமீஸ் உய்குல X. Y. Z. செட்டி யெழுதிய சேதி யிப்பவும் தாங்கள் நானது தேதியில் தந்தது ஸ்ர (சுதசாடுயடு), யிந்த திம்மி ஆரூயிரத்தி நானாத்தி அன்பத்தி அஞ்சும் கூய நான் தவணை முக்கால் வட்டிக்கு வரவு வைத்துக்கொண்டோம். பின்தவணைகளுக்கும் ஷே வட்டிப்படி கூடிய வட்டியும் முதலும் தங்கனாடருக்கு இவ்விடத்தில் தந்து இந்த லெட்டரில் செல்லுபடி பெற்றுக்கொள்கிறோம்.

(Signed) X. Y. Z செட்டி.

Translation.

'X.Y.Z.', Saigon.

'A.B.', Saigon.

26th Margazhi of Krothana year.

The letter written by 'X.Y.Z.' Chetti. We have credited the sum of six thousand four hundred and fifty-five dollars, which you have advanced this day, and it will bear interest at 13 annas which is the rate current for 90 days' fixed deposit. We shall pay to your order at this place the principal together with interest at the above rate even for subsequent fixed deposits and take back this letter with an endorsement of the payment hereon.

(Signed) 'X.Y.Z.' Chetti.

(Copy of Personal Account.)

ஆவணிப்பட்டி A. B. C. கணக்கு நகல்.

பங்குனிஸ் யுகல் முதல் சென்ற மீஸ்
நய்குல வரை ரொ. நடப்புக்கு மேல்வேன்
லு கூட வட்டிச்சிட்டுவட்டி வட்டிக்கி
வட்டி கூட யெது வட்டி நீக்கி வட்டியில்.
உடன் பத்து அசல் வட்டிகூட புது
கணக்கு வலுஉஆ
ஆ கொ நய்குல அளவுகெதெநடதெ.
ஆ லு நய்குல அளவுகெதெநடதெ.

வரவு.

பத்து.

சாநயஇலுக்

தநாநயஅலு

Translation.

Copy of account of 'A.B.C.' of Arinipatti.

	Credit. RS. A. P.	Debit. RS. A. P.
By interest due from the 11th Panguni to the 31st ultimo at 2 annas in excess of the rate current in Rangoon, after including compound interest as per interest account and deducting counter interest	430 10 6	
To principal and interest up to this date as per new account		1,338 2 0
Total Cr. ...	36,861 15 9	
Total Dr. ...		36,861 15 9

APPENDIX F. II-(2).
(True copy of a Nattukottai Chethiyar's vaddi chittai issued from Penang.)

சிலமயம்.

க. வீ. அள. அள.
பினுக்கு.

மூவர்த் த. சிவ. பற்று வரவு கணக்கு வட்டிக்கிடடை.

வருஷம், மாதம்.	தேதி.	வரவு or பற்று.	தொகை.		தீக்கிர ஆக வரவு or பற்று.	தீக்கிர ஆக தொகை.		தரன்.	நான், ராஜித் தொகை.
			நிக்கி.	சதம்.		நிக்கி.	சதம்.		
பிரபவ ஆடி (ஆடி 32 நாள், ஆகஸ்டி 31 நாள், புரட்டாசி 30 நா ள்.)	31	வரவு	7,200	00	வரவு	7,200	00	63	4,53,800
அர்ப்பிசி (அர்ப்பிசி 30 நாள்.)	இவது (30-65 இவது)	ஆக வரவு ரூபி 4,53,600க்கு இவது	ஆக வட்டி நிமி 99-22த்.		ஆக வட்டி	7,200	00	30	2,16,000
கார்த்திகை	1	வரவு	00	00	வரவு	7,200	00		
தை	இவது ஆக வரவு ரூபி 2,16,000க்கு இவது	ஆக வட்டி 48-37த்.							
(கார்த்திகை 30 நாள், மார் சு 29 நாள், தை 30 நாள்.)	1	வரவு	00	00	வரவு	7,200	00	19	1,36,800
	20	வரவு	10,000	00	வரவு	17,200	00	69	11,86,800
	29	வரை.							
ஆக வரவு ரூபி 13,23,000க்கு இவது ஆக வட்டி நிமி 303-22த்.		ஆக தரக்கு 3க்கு வட்டி நிமி 450-92த்.		அசல் வரவு ரூபி 17,300.		ஆக வரவு அசல் வட்டி ரூபி 17,650-92த்.			

(True copy of a Nattukottai Chethiyar's Vaddi chittai issued at Penang—cont.)

வகுஷம், மாதம்.	தேதி.	வரவு or பற்று.	தொகை.		நீக்கி or ஆக வரவு or பற்று.	நீக்கி or ஆக தொகை.		நாள்.	நாள் ராசித் தொகை.
			நிங்கி.	சதம்.		நிங்கி.	சதம்.		
பிரபவ.	30	வரவு	17,650	92½	வரவு	17,650	92½	19	3,35,367
தை .. ..	..	..	..	..	..	..	..	..	..
(தை 30 நாள்.)	..	..	..	..	..	..	..	..	..
மாசி .. ..	..	..	..	..	..	..	..	..	..
(மாசி 20 நாள், பங்குனி 31 நாள், சித்திரை 31 நாள்.)	..	..	..	..	..	..	..	..	..
விபவ.	29	பற்று	7,700	00	ஐை	450	92½	17	7,666
வைகாசி	..	..	..	..	..	..	..	..	..
(வைகாசி 31 நாள்.)	..	..	..	..	..	..	..	..	..
ஆனி .. ..	..	..	..	..	..	..	..	..	..

ஆக வரவு ரூபி 11,43,176க்கு இ.நா. வட்டியில் வரவு ரிங்கி 261'98க்கு, பின் செல்வாகவேண்டிய நாள் 47க்கு இ.நா. ஆக பெய்தாவட்டி ரிங்கி 2'82 நீக்கி. வட்டியில் வரவு ரிங்கி 259'16. அசல் வரவு ரிங்கி 450'92½.

ஆக வரவு அசல் வட்டி கூட விபவஹு ஆனியர் 15௨ ஆக ரிங்கி 710'08. அனுப்பு வரவு ரிங்கி 25,610க்கு 100க்கு ய வி ஆக விண்டாஸ் சிங்கி 24'08. 1,000க்கு இ.நா. ஆக மகமை ரிங்கி 20'8½ யும் ஆக தூ 44'82½ நீக்கி. வரவு ரிங்கி 665'27க்கு வட்டம் 0'83ம், நாள் 2க்கு வி ரிங்கி வட்டி 0'31-ம் ஆக. ரிங்கி 1'14 நீக்கி வரவு விபவஹு ஆனியர் 15௨ ஆக ரிங்கி 664'13-ம். மூவரை ந.சி.வி.வசம் குடுத்திருக்கிறது. சரி.

Translation.

K. V. AL. AL., Penang.

Interest account relating to the transactions of Muvar, N. SV.

Year and month.	Date.	Credit or Debit	Amount	Credit balance or Debit balance.	Balance.	Days.	Total amount with reference to days.
			\$ CENTS.		\$ CENTS.		
Prabava— Adi 31	31	Credit.	7,200 00	Credit.	7,200 00	63	4,53,600
(Adi, 32 days; Avani, 31 days and Purattasi, 30 days.)							
0-10-6 (\$0 65 5/8) interest at Re 0-10-6 on credit total amount of Rs 4,53,600—\$99-22½.							
Aippasi .. 30	1	Credit.	7,200 00	Credit.	7,200 00	30	2,16,000
(Aippasi, 30 days.)							
0-10-9. Interest at Re. 0-10-9 on credit total amount of Rs 2,16,000—\$48-37½.							
Kartigai .. 1	1	Credit.	7,200 00	Credit.	7,200 00	19	1,36,800
Thai .. 20	20	Credit.	10,000 00	Credit.	17,200 00	69	11,88,800
Thai .. Up to the 29th.	..	..	..	..	..	..	..
(Kartigai, 30; Margazhi, 29 and Thai, 30) 0-11-0. Interest at Re 0-11-0 on credit total amount of Rs. 13,23,600—\$303-32½.							
Credit by interest for the above 3 items—\$150-92½.							
Credit by principal \$17,200.							
Total credit by principal and interest up to the 30th Thai of Prabava year—\$17,650-92½.							
Prabava— Thai .. 30	30	Credit.	17,650 92½	Credit.	17,650 92½	19	3,35,367
(Thai, 30 days).							
Masi .. 19	19	Debit.	17,200 00	Do.	450 92½	3	1,353
(Masi, 29 days; Pan-guni, 31 days; and Chittrai, 31 days.)	22	Credit.	7,700 00	Do.	8,150 92½	98	7,98,790
Vibava— Vaigasi .. 29	29	Debit.	7,700 00	Do.	450 92½	13	,666
(Vaigasi, 31 days.)							
Ani .. Up to the 14th.	..	Credit by interest at Re. 0-11-0 on credit total amount of Rs. 11,43,176—\$261-98.					

	\$	C.
Counter interest at Re. 0-11-0 for 47 days which have yet to expire	2	82
Credit by interest after deducting this	259	18
Credit by principal	450	92½
Total credit by principal and interest on the 15th Ani of Vibava year	710	08½
Commission at Re 0-1-6 per cent on debit and credit transactions amounting to \$256-10	24	01
Temple donation at Re. 0-13-0 (?) per 1,000	20	80½
Total	44	81½
Credit balance after deducting \$44-81½	665	27
Vattam (premium in exchange) on \$665-27	0	83
*Interest at Re 0-11-0 for two days	0	31
Total	1	14
Credit balance on the 15th Ani of Vibava year after deducting \$1-14	664	13
This sum of \$664-13 has been paid to Muvur N.S.V —correct.		

APPENDIX F-II (8)

Deposit Letter Current Account

குருகாக்கல்.
Kurunagala.

சுவமயம்.

கண்டிரமாணிக்கம்.

A. B. C.

192 -ம் (வரு) சூலைமீ 20உ கண்டிரமாணிக்கம் A. B. C. என்கிற குருகாக்கல் (வரு) நாளதுமீ யெவ ஆக ரூபா ரூத-ம் யிந்த ரூபாய் அய யாயிரத்துக்கும் கொளும்பு புது நடப்பு வட்டிக்கு மேல் வெயன் வீசம்கூட எங்கள் பத்து வைத்தக்கொண்டோம். தாங்கள் கேழ்க்கும்போது தந்து யிந்த லெட்டரை வாசமிக்கொள்வேனாகவும்.

கண்ணுடையம்மன் துணை.

(Signed)

செட்டி.

Translation.

2 Kurunakkal * * * * * 'Kurunagala' (?).

'A.B.C.' Kandiramanikkam.

22nd July 192.....

Cr.—'A.B.C.' of Kandiramanikkam.

Dr.—* * of Kurunakkal.

Rs. 5,000 on the 22nd instanc.

We have credited this sum of rupees five thousand and it will bear interest at one anna in excess of the new rate current in Colombo. I shall pay this amount on demand and take back this letter.

(Signed)

Chetti.

APPENDIX F-III

Letter written by principal to agent at Rangoon.
Adathi Letter (1)

உ.

ஊர்.

ரெங்கூன்.

யேஜெண்டு Aக்கு எழுதியது, இப்பவும் இவ்விடம் B அவர்கள் சில துறை அவிடத்தக்கு அனுப்புவதாயும் நம்மன் மாரலில் குடுத்து வாங்க வேணுமென்று சொல்லுவதால் அவர்கள் அனுப்பும் துறையை அவர்கள் எழுத்துப்படி கொடுத்து வாங்கி அவர்களுக்கு கணக்கு அனுப்பிவரவும்.

அப்படிக்குடுத்து வாங்கும் துறைக்கி வட்டி வருகிற துறைக்கி ரூபா கா அறையற வந்தாசம் மகமை தபால் சிலவு வழக்கம்போல் போட்டுக்கொள்ளவும்.

இதில் நம்மனும் அவர்களும் கையெழுத்து வைத்து அனுப்பியிருக்கிறோம்.

Translation.

Place: Rangoon.

To 'A', Agent.

As 'B' of this place says that he will remit certain sums of money to that place and that his transactions should be carried on through us, please carry on transactions as per his written instructions in respect of the money remitted by him and furnish him with a statement of accounts.

A commission of half anna on every rupee of the interest earned by the amount involved in such transactions as well as the temple donation and postal expenses should, as usual, be charged.

Both the above gentleman and myself have signed this letter.

Adathi Letter (2)

உ.

ஊர்.

ரெங்கூன்.

யேஜெண்டு X க்கு எழுதியது, இவ்விடம் இன்னர் அவர்களுடைய கடைக்கு ரூபா (யூ) வரை அனுப்பும்படி செய்துவரவேண்டுமென்று அடத்தி லெட்டர் கேழ்ப்பதால் அவர்கள் யேஜெண்டு (Y) செட்டியார் யெழுத்தப்படி ரூபா. (யூ) அனுப்பும்படி செய்துவரவும். அப்படி செய்துவரும் பத்துவரவு அவ்விடம் நடப்பு அன்று தவணை வட்டிக்கு மேல் வையன் அறைக்கால் கூட மகமை தபால் சிலவு வளக்கம்போலும் போட்டுமீன் கப்பதைக்கொருதரம் கணக்கு முடித்தனுப்பிக்க வேண்டியது.

இதில் நாமனும் அவர்களும் கையெழுத்துச் செய்து அனுப்பியிருக்கிறது.

Translation.

Place: Rangoon.

To 'X', Agent.

As of this place wants an adathi letter authorizing credit up to Rs. 10,000 to his firm, please make arrangements for remitting Rs. 10,000 as per the written instructions of his agent 'Y' Chettiyar. An interest of two annas in excess of the current or fixed deposit rate prevailing in that place as well as the temple donation and postal expenses should, as usual, be charged and accounts closed and furnished once in six months.

Both the above gentleman and myself have signed this letter.

APPENDIX F-IV (1)

Salary Chit of Agent.

உ

சிவமயம்.

நகல்

பரத்தாகவினா ஆவணிமீ 10௨௨ காரக்குடி நா.று.மெ. செட்டியார் அவர்களுக்கு காரக்குடியிலிருக்கும் ஓ.று.மெ. செட்டி யெழுதிக்கொடுத்த சம்பளச்சீட்டு. டெலுகான்சனில் நா.று.மெ. விவாசமுள்ள தங்கள் கடைக்கி நான் கொண்டு வேலைசெய்யபோய்வருவதற்கு வருஷம் மூணுக்கு சம்பளம் பேசிக்கொண்டது பூவிராசன் ஆக ரூபாய் நூருநா.இ யிந்த ரூபாய் மூவாயிரத்தி அயிநூத்தி மூணரையில் டெலுகான்சன்கோபாய் ஒருமாசத்தில் ரூபாய் நூருநா.இ. அந்ததேதியிலிருக்கிற உண்டியல்லில் பருவப் படிக்கி உள்ள கொள்ளியை வாங்கிக்கொள்கிறது. பாக்கி ரூபாய் தர கூடுவம்- வருஷம் மூணுக்கு தங்கள் யெழுத்தப்படிக்கொண்டு வேலைசெய்து ஊராந்திரம் குறிப்பு உலகனுப்பி அய்ந்ததை கணக்கும் காசப்பையும் ஊருக்குகொண்டுவந்து தங்கள் வசம் ஒப்பிவைத்து வாங்கிக்கொள்வேனாக வும்.

(Sd.) ஓ.று.மெ. செட்டி யென்று.

அசலுக்கு சரியான நகல் ஓ.று.மெ. செட்டி.

விபவனா ஆடிமீ 14௨ இராமநாதபுரம் ஜில்லா காரக்குடியிலிருக்கும் ஓ.று.மெ. செட்டியாருக்கு ஷே ஊரிலிருக்கும் நா.று.மெ. செட்டியார் யெழுதிக்கொடுத்த பற்று ரசிது. தாம் யெங்கள் டெலுகான்சன் கடைக்கு இரத்தாகவினா ஆவணிமீ 11௨ முதல் பிரபவனா ஆடிமீ 31௨ வரை கொண்டு வேலைசெய்த வந்த கணக்குகளை ஆடியில் கையொப்பம் வைத்திருக்கிற பஞ்சாயத்தார்களை வைத்து பார்வையிட்டு சர்வலில் லங்க சுத்தியாய் தாம் தரவேண்டியதாய் யேற்பட்டது (S) 1000 (ரூபா 1,540) யிந்த ரூபா ஆயிரத்து ஐநூத்தி நாற்பதையும் நான் தமக்கு அகையனா அற்பிசிமீ 26௨ யில் யெழுதித் தந்திருக்கிற பிராமிசரி நோட்டுக்கு நானதுமீ 13௨ வரை வட்டிபோட்டு அசல்வட்டி கூடியது ரூபா 14,129-5-9 ஊர்க்கணக்காய் நடப்பில்தாம் ஷே தேதிவறையில் பத்தி யிருக்கிற துறைக்குவட்டிகூட ரூபா 3,220-2-6 நீக்கி ரூபா 10,909-3-3 கழித்து நானது தேதியில் நான் தமக்கு தரவேண்டியதாய் ஏற்பட்டிருக்கிற ரூபா 9,369-8-3 நானது தேதியில் தமக்கு எழுதித் தந்திருக்கிற அண்டிமேன் பாவத்தாய் ரூபா 9,000 மும் ரொக்க பாவத்தாய் ரூபா 369-3-3 மும் கொடுத்த கணக்கை நேர் செய்த கொண்டு சம்பளச் சீட்டை யித்துடன் தந்திவிட்டபடியால் ஷே அண்டிமேன் கணக்கைத்தவிர வேரே யெவ்விதமான பின்தொடர்ச்சியில்லையென்பதற்கு இதுவே ரசீதாகக் காட்டிக்கொள்ள வேண்டியது. ஷே அண்டிமேனுக்கும் நானது தேதியிலிருந்து மூன் றுமாதம் தவணைக்குள் பணத்தை செலுத்தி அண்டிமேனை வாபஸ் பெற்றுக்கொள்ள வேனாகவும்.

(Sd.) நா. று. மெ. செட்டி.

பஞ்சாயத்தார்கள்

(Sd.) நா. ச. பிள்ளை.

(Sd.) ஷே. பூர் வெ. மு.

இது யெழுதினதும் சாகுதியுமான (Sd.) க. முத்தப்பட்டணம். (Sd.) வீர முத்தய்யா நாயக்கன்.

(அசலுக்கு சரியான நகல்)

ஓ.று.மெ. செட்டி.

Translation.

The salary chit executed on the 11th Avani of Rakthatchi year by O. Rm. M. Subrahmanyan Chetti residing in Karaikkudi in favour of N. Rm. M. Poisolla Meyyappa Chettiyar of Karaikkudi is as follows:—

The salary for three years which I have accepted for service as the agent of your N. Rm. M. Firm at Telukansen is 1,001 pagodas or Rupees 3,503-8-0. Of this sum of rupees three thousand five hundred and three and annas eight, I should receive Rs. 2,335-12-0, in a month after my arrival at Telukansen, in the shape of dollars according to the exchange rate current on that date. I shall receive the balance of Rs. 1,607-12-6 after working as the agent for three years as per your written instructions, sending a copy of the day-book every month and delivering to you the trial balance-sheet and the cash on hand on my return home.

(Signed) O. Rm. M. Subrahmanyan Chetti.

(A true copy of the original.)

(Signed) O. Rm. M. Subrahmanyan Chetti.

The debit receipt issued on the 14th Adi of Vibava year by N. Rm. M. Poisolla Meyyappa Chettiyar residing in Karaikkudi, Ramnad district, in favour of O. Rm. M. Subrahmanyan Chetti residing in the same place, is as follows:—

The accounts relating to your service as the agent of our Telukansen Firm from the 11th Avani of Rakthatchi year to the 31st Adi of Prabava year were examined by the undersigned panchayatdars, and it was found that the amount due by you free from any encumbrance is \$1,000 (Rs. 1,540). The principal in respect of the promissory note executed by me in your favour on the 26th Aippasi of Atchaya year and the interest thereon up to the 13th instant amount to Rs. 14,129-5-9. The amount which you have drawn in the current account in my firm here up to the above date together with interest thereon comes to Rs. 3,220-2-6. Deducting this sum of Rupees 3,220-2-6 from the above amount due by me, the net amount due by me is Rs. 10,909-3-3. Deducting from this the sum of rupees one thousand five hundred and forty due by you as aforesaid, the amount due by me on this date is Rs. 9,369-3-3. As the accounts have been settled by payment to you of Rs. 9,000 by means of a promissory note executed in your favour on this date and of Rs. 369-3-3 in cash and the salary chit has been handed over along with this, this itself should be produced as a receipt to show that, except the above promissory note account, there is no other future liability. I shall pay the amount in respect of the above promissory note also within a period of three months from this date and take back the promissory note.

(Signed) N. Rm. M. Poisolla Meyyappa Chetti.

Panchayatdars—

(Signed) N. S. Narayana Pillai.

() L. M. Mutturamanambalam of the aforesaid place.

Written and attested by—

(Signed) Vira. Muttayya Nayakan of K. Muttupattanam.

(A true copy of the original.)

(Signed) O. Rm. M. Subrahmanyan Chetti.

Settlement of account as between principal and agent on close of agency.

உ.

சிவமயம்.

விபவ வருஷம் மாசிமாதம் 20-ந் தேதி பள்ளத்தூர் ABC, நெய்குப்பை X.Y.Z. பத்து நான் யெவுண்டம் தங்கள் கடையில் கொண்டு வேலை செய்து வந்ததில் சம்பளக்கணக்கு சாமாண்கணக்கு சகலமும் பார்த்துக்கொண்ட வகையில் சர்வ அடக்கமாய் பின்தொடர்ச்சியின்னியில் நான் தங்களுக்கு தரவேண்டியது ரூபா 6,250. இந்த ரூபா ஆரூயிரத்து இருநூத்து அயம்பதுக்கும் நாளது தேது முதல ரெங்குன் தடப்புவட்டியுடன் ஷே யார் கள் ஆடரூக்கு கொண்டுவந்தார் வசம் தையக்கோன் எங்கள் கடை ஏஜன்டு D. E. F. பணம் கொடுத்து இதில் செல்லுடன் ஊர் கடை அனுப்பி ஏழுநிக் கொள்ளவேண்டியது.

X. Y. Z. என்று.

வட்டி ரூபாய் எய்உஇ.

இதில்கண்ட அசலும் வட்டியும் அவடம். எங்கள் கடைவசம் கொடுக்கவும்.

A. B. C. என்று.

சக்கில வருஷம் சித்திரைமாசம் 3-ந் தேதி இதில் கண்ட அசலும் வட்டியும் பெற்றுக்கொண்டோம்.

A. B. C. என்று.

Translation.

20th Masi of Vibava year.

Cr. 'A.B.C.', Pallattur.

Dr. 'X.Y.Z.' Neikuppai.

The total amount which I owe you in the course of my service as the agent of your Firm at Yevundam on an examination of the salary account, the profit and loss account, etc., is Rs. 6,250 without any future liability 'D.E.F.' the agent of our Firm at Thaiyakkone, should pay the bearer the sum of rupees six thousand two hundred and fifty mentioned above to the order of the abovementioned Firm together with interest at the rate current in Rangoon from this date and debit the same in the accounts of our Firm here with an endorsement of the payment hereon.

'X.Y.Z.'

Interest Rs. 72-10-6.

Pay the principal and interest mentioned herein to our Firm at that place.

'A.B.C.'

We have received the principal and interest mentioned herein on the 3rd Chittrai of Sukkila year.

'A.B.C.'

APPENDIX F-IV-2.
(Form of Pronote)

உ
செவமயம்.

No. _____

Rs. _____

193 ஹு மீ உக்கு ஹு மீ உ

திண்டுக்கல்லில் கடைவைத்திருக்கும்
தேவகோட்டை வெ. ஆதி. ந. கதேசன் செட்டயார் அவர்களுக்கு

எழுதிக்கொடுத்த பிரம்சரிநோட்

தங்கள் வகை _____ ரிடம் நா _____ கடனாக வட்டிக்கி வாங்
கியது ரொக்கம் ரூ. _____ இந்த ரூபாய் _____ க்கும்
நானது தேதி முதல் மாதம் 1-க்கு 100-க்கு வட்டி ரூபாய் _____ வீதம்
வட்டி சேர்த்துக் கூடியவட்டியும் முதலையும் தாங்கள் வேண்டும்பாது தங்க
ளுக்காவது அல்லது தங்கள் ஆர்டருக்காவது ரொக்கம் செலுத்திவைப்பே

சாக்ஷிகள்.

எழுதியதமான சாக்ஷியுமான

Translation.

'No. _____'

'Rs.'

(Tamil) date corresponding to (English),
date . . . 19 . . .

The promissory note executed in favour of Devekottai V. At. N. Natesan Chettiyar Avargal, who has got a firm in Dindigul, by

is as follows:—

The amount received by $\frac{me}{us}$ in cash as loan bearing interest from
of your firm is Rs. On
demand, $\frac{I}{we}$ promise to pay to you or to your order in cash the principal
together with interest from this date on this sum of Rupees at
per cent per mensem.

Witnesses—

Written and attested by—

APPENDIX F-IV-3.

Caste rules and regulations of Nattukottai Chettiars.

1. Respect mother, father, guru, God, Brahmans, and caste deities.
2. The Nagarathars to keep under their trusteeship and management the villages, etc., assigned for the maintenance of temples and matams for gurus. The revenue to be utilized only for the charity for which they are ear-marked.
3. Not to deviate from caste rules and regulations. To do good deeds.
4. (a) Husbands and wives should pay customary homage and worship only in the temples to which they are allotted.
(b) They should not get religious instructions from other matams and temples.
(c) To remain adherents of Saivite religion and not to become converted to other religions.
5. Marriages should not be made in the same gothram. Gothram means temples and their divisions. Adoption should be made in the same gothram.
6. At time of marriage, the bridegroom should touch the thali which will be tied to the bride by some elderly man.
7. To trade in gems, stones and grocery articles. Trading in business that involves slaughter of animals and other living creatures prohibited. Money-lending to be transacted only with honest people and dharma vaddi to be charged. Trading in horses, betel leaves and perishable articles, prohibited. Kudivaram tenure of lands, agricultural business such as ploughing, etc., and doing of service such as that of village servants prohibited. Should not trade in stolen articles. Not to covet neighbour's wife. Money-lending with dancing girls prohibited.
8. Chettis who violate the rules of the caste or who have undergone imprisonment and those who commit theft have to be ostracized.
9. Chettis to have their homes permanently only within the following limits:—
West of sea, east of Piranmali, north of Vaigai and south of Vellar.
Chettis should not establish permanent residences in other places.
10. Women may go with their husbands when they make religious pilgrimages. For other purposes Chetti women should not go to foreign lands.
11. Old mamuls to regulate all other matters relating to caste.
12. Arbitrations relating to caste to take place in special meetings of Nagarathars or in temples or matams.
13. Nagarathars of the nine temples should conduct marriages only after receipt of garlands, prasathams from the respective temples to which they are allotted. Temples should be given notice of proposed marriages by presentation of betels, etc., therein.
14. Iraniyur temple and Pillaiarpatti temple Nagarathars should not inter-marry as they are consanguineous by reason of descent from two brothers. They may inter-marry with Nagarathars of other temples.

APPENDIX F-IV-4.

Standardized form of marriage agreement

(கல்யாணத்தில், இசைகுடிமானம் எழுதுகிறவிகம்.)

இளையாற்றக்குடியான குலசேகரபுரத்தில் ஒக்கருடையான் அருணாசலன் செட்டி ராமநாதரோ, கேரளசங்கவன நாடாகிய பரம்பூர் நாட்டில் மாற்று ரான வீரபாண்டியபுரத்தில் அரும்பாகக்ருடையான் கண்ணப்ப செட்டி நாராயணரோ இவர் மகன் சுப்பிரமணியனுக்கு இவர்மகள் வள்ளியம்மை யைப் பாணித்திரகணம் பண்ணிக்கொண்டவுமக்கு இவர் பூஷணம் பூட்டும் பொன் ஒன்பது ஆறுகல்வெடை, பொன் பதினாறு சதமஞ்சு, இவர் சீதனம் கொடுக்கும் பொன் இம்மாறு இவ்வெடை, பொன் ஆறுசதமஞ்சு, வெள்ளி ஆறுசதமஞ்சு, வெண்கலத்தாராபபலம் ஆறுபத்தொன்று, வெள்ளாட்டிக்குப் பணம் முப்பது, சீராட்செ சக்கரம் ஆறுபத்தொன்று, இவ்வகைப்படி செய் வோம். இவர நனகொடை கொடுக்கும் பொன் ஐம்பது, மோதிரம் விராக னெடை மூன்று, இவர் உகந்தடை மையாயக கொடுக்கும் பொன் வளையி எழுகழஞ்சு இவ்வகைப்படி செய்வோம். இந்தநான் இவரிடம்பொன் இவர் சொற்படி தெரிசனை பதினாறுசதமஞ்சு, இவ்வகைப்படி செய்வோம். இந்த இசை குடிமானம் எழுதினேன். கல்வாச நாட்டில் இளையாற்றக்குடி யான குலசேகரபுரத்தில் ஒக்கருடையான்

..... செட்டிகையெழுத்து.

Translation.

Form of written document executed by the bridegroom's father in marriages among Nattukkottai Chettiyars.

On account of the marriage performed on (date) between Subramanyan, son of Okkoorudaiyan Arumachalam Chetti Ramanathar of Haiyatrakkudi sect residing in Kulasekarapuram, Kalvasanadu, and Valliammai, daughter of Arumbakkoorudaiyan Kannappa Chetti Narayanar of Matrur sect residing in Virapandipuram, Keralasingavalanadu known as Peramburnadu, Arumachalam Chetti Ramanathar will give nine gold pieces, gold* for making jewels and fifty gold pieces and ring weighing three pagodas as a present. Kannappa Chetti Narayanar will give gold. * gold * silver * thirty panams for maid servant and sixty one * as dowry and will also give with pleasure gold hangle and * as jewels *

I have written this marriage agreement.

Signature of Okkurudaiyan. . . . Chetti of

Haiyatrakkudi sect residing in Kulasekarapuram, Kalvasanadu.

* Unintelligible.

**Memorandum by Mr. A. K. MENON, B.A., F.C.S., Superintendent,
Kerala Soap Institute, Calicut, on urban trade interests of
Calicut Town.**

(1) The population of Calicut municipal area, according to the last census report was about 82,000 but it may now be put down at about a lakh. The area is about 11 square miles.

(2) The chief articles of export from Calicut are ginger, pepper, coir, coconut, copra, coconut oil, fish, fish oil, hide, timber, tiles and soaps. The imported articles consist of paddy, rice, flour, sugar, textile goods, cutlery, soaps, cement, grocery, chemicals, motor cars and accessories, machinery and almost every other kind of European manufactured goods.

(3) The following are the important banks in the town:—

The Imperial Bank of India.
The P. & O. Banking Corporation, Ltd.
The Nedungadi Bank, Ltd.,
The Calicut Bank, Ltd.,
The Malabar District Co-operative Bank, Ltd.,
The Calicut Urban Bank Ltd.,
The Chalapuram Bank, Ltd.,
The A.L.A.R. Bank.
The Bharata Bank, Ltd.,
The Radha Bank (started very recently by Messrs. U. B. Dutt & Co.).

A statement of the capital invested, deposits, etc., culled from the newspapers is given below:—

The Nedungadi Bank, Ltd.,

(Established 1899—Incorporated 1913).

Head office:—Calicut.

Madras office:—17/18, Broadway.

*Branches:—*Palghat, Badagara, Cochin, Trichur, Alleppey, Mangalore, Tellicherry, Trivandrum, Cannanore, Coimbatore, Pollachi and Quilon.

Capital:—

	RS.
Authorized and issued	50,00,000
Subscribed (30—9—1929)	22,49,100
Paid-up (Do.)	14,32,995
Reserve Fund (Do.)	4,09,721

Current and savings bank accounts opened and interest allowed. *

Fixed deposits for one or two years and shorter periods received.

Loans and overdrafts granted on approved securities and all kinds of banking business undertaken. For rates and terms apply to the head office or the Madras office.

The Calicut Bank, Ltd.,

Head office:—Calicut.

*Branches:—*Mullasherry, Tellicherry, Cochin, Palghat, Karupadanna (Cochin State), Badagara, Chalapuram, Chowghat, Guruvayoor, Ooty, Madras, Granganore and Colombo.

Authorized capital—

	RS.
50,000 shares at Rs. 10 per share	5,00,000
Paid-up capital up to 30—6—1929—21,975 shares	2,19,750
Reserve fund	80,217

Deposits.—Current deposits are received at 4 per cent per annum and fixed deposits at Rs. 4½ per cent per annum for three months, 6 per cent for 6 months and 7½ per cent for one year.

Loans granted on gold, etc.

The Bharata Bank, Ltd., Calicut.—

	RS.
Registered capital (divided into 5,000 shares of Rs. 10 each)	50,000 0 0
Subscribed capital	26,920 0 0
Paid-up capital (31—8—1929)	21,266 0 0
Deposits (do.)	24,600 8 3

Shares are available. Deposits are received on good terms. Interest at the rate of 9 per cent per annum is given to fixed deposits for one year.

The P. & O. Bank is an exchange bank. The other banks do not do any exchange business.

None of the banks gives loans on landed security or on house property. They lend money, however, on gold and on promissory notes on the joint signature of two good parties—single signature not accepted. One of the indigenous banks used to give loans up to Rs. 30,000 on the security of plant and machinery, the interest charged being about 7½ per cent, 8 per cent and 9 per cent. But it is understood that this bank has discontinued this practice of late and is asking its constituents to close any outstanding accounts under this head. No bank in Calicut as far as I know now gives any loan on the security of plant and machinery. All banks give loan on gold and Government bonds and such gilt edged securities. Most of these banks give loan on goods up to 90 per cent of their value. There are two kinds of loan—key loan and open loan. When the goods are kept either in the bank or in the constituents' godowns but the key is kept in the custody of the bank such a loan is known as the key loan. Goods are let out as and when money is paid. The loan is given on almost all kinds of goods of a non-perishable character such as coir yarn, copra, ginger, pepper, soap, cigarettes, paddy, rice and other grains, dry chillies, piece-goods etc.,. An agreement in stamped paper has to be executed by the party who wants the loan. Should the price drop of any commodity which is pledged the bank will give notice to the party to clear the goods by paying the value thereof, otherwise the goods will be sold by auction and the balance due to the bank will be recovered from the sale-proceeds: if this does not cover the amount the party will have to make good the amount. Should, however, the price of any commodity pledged with the bank go up, the loan may be closed and a new loan of higher value may be negotiated. On coir, 50 per cent to 75 per cent of the value is advanced and on other commodities about 85 per cent according to the quality and nature of the articles. Loose coir is not accepted by the bank, but it must be well dried and baled ready for export to foreign ports.

The other kind of loan is the open loan, that is the goods are kept in the godowns or yards of firms not under the control of the bank, but the party who takes the loan executes a proper agreement and the firm in whose godowns the goods are kept gives also a letter of guarantee regarding the safety of these goods. In such cases advances are given up to 50 per cent of the value. Copra, ginger, coir yarn, etc., are dried in the yards of the exporting houses. The balance to be paid to the parties will be settled after the goods are shipped and weight or measurement account is received. In all these cases interest is deducted on any advance that might have been made. Deductions are also made for any bad stuff which may be rejected. The interest charged by the Imperial Bank ranges from 8½ to 7½ per cent and by the P. & O. Bank 6 to 7½ per cent and the indigenous banks charge 7½ to 9 per cent on such loans. The loan is granted for short periods, in any case not extending beyond one year, but the practice is for the parties to renew such loans and in that way they form more or less continuous loans.

Deposits are received by the bank on the following terms:--

Statement of interest allowed by the different banks in Calicut
on fixed deposits.

Name.	Three months.	Six months.	One year.	Two years.
The Imperial Bank of India.		3½ per cent per annum.	3½ per cent per annum.	
The P. & O. Banking Corporation, Limited.	3 per cent per annum.	4 per cent per annum.	4 per cent per annum.	
The Nedungadi Bank, Limited.	4½ per cent per annum.	5½ per cent per annum.	6½ per cent per annum.	6½ per cent per annum.
The Calicut Bank, Limited.	Do.	6 per cent per annum.	7½ per cent per annum.	..
The Malabar District Co-operative Bank, Limited.	3½ per cent per annum.	4½ per cent per annum.	5½ per cent per annum.	5½ per cent per annum.
The Chalapuram Bank, Limited.	4 per cent per annum.	5 per cent per annum.	7 per cent per annum.	
The Bharata Bank, Limited.			9 per cent per annum.	

* The Bank is not receiving deposits for three months.

One of the Indian banking concerns in Calicut is said to be financing a commercial enterprise started by an Indian gentleman in Calicut; it is not known under what terms.

As stated above most of these banks give loans on produce and the rate of interest is fairly low. Besides these banks, there are a number of sowcars, Multanis and also small money-lenders whose rate of interest varies according to the nature of the transactions and the solvency of the parties who require such accommodation. The Imperial Bank, it is said used to give considerable financial help by way of overdraft, etc., to some of the indigenous banks but owing to the failure of some of the banks and to certain other reasons the Imperial Bank is cautious in lending money or affording other financial help to such banks. As a result the money is not freely available in the town. The Imperial Bank and exchange banks apart from merely doing some ordinary transactions with the Indian banks have no other relationship as I understand that there is slight disinclination on their part to do extensive business with Indian banks. This is only a report and I cannot hold myself responsible for the accuracy of this statement. The financing agencies find some difficulty in recovering advances as there have been of late many failures in the bazaar. Unsecured loans have more or less proved losses, hence the Imperial Bank and other banks are now insisting on substantial security before any loan is granted.

4. As above stated, most of the firms who do manufacturing or export business have to borrow money some time or other from some of the banks on the production of sufficient security. Suppose for instance an oil miller wants to buy one thousand tons of copra for his mill, he pledges this quantity with any local bank and gets about 75 to 80 per cent of the value thereof to pay the suppliers. When he crushes some copra and sells the oil produced he remits the amount to the bank and gets a further quantity of copra released from the godown of the bank. In this manner the manufacturers are assisted by the bank to their mutual advantage. Similarly exporters of ginger, coir, pepper, etc., receive loans from the banks on giving the goods as security, the balance due from the bank is settled when the transaction is closed. The existing facilities appear to be sufficient for helping the trade but if the interest on the loan could be reduced to 4 to 5 per cent as against the existing rate of 7 to 9 per cent there will be some margin of profit for the manufacturers as well as the merchants who deal in such products. At present practically very little profit is derived from doing business in produce for export and it is seen that the firms who are engaged in this business are not very prosperous but go insolvent once in 15 or 20 years. That is to say they have no reserve strength to fall back upon in times of keen distress by trade reverses. On

the other hand if money is made available at lower rates of interest the business can be kept on continuously without any such mishap, as some saving could be made and a reserve fund created for emergencies. Loans should be given on landed and house property, besides goods at cheap rates of interest. At present owing to the difficulty in getting money from the banks without the production of proper security such as gold or goods many of the indigenous trades and traders are passing through a crisis. The Imperial Bank gives loans to merchants only on substantial security. It is understood that the Indian merchants have ease and freedom in transacting business with the agents of Indian banks but in the case of the Imperial Bank and European banks, the cash-keeper forms an intermediary between the agent and the merchant. In this case the merchants are not able to get into direct touch with the agent. In the case of Indian banks the dealers have access to the agents and can converse in Indian languages and consequently feel more at ease and transact business quicker and more satisfactorily.

5. The following practice is followed in the case of imported goods. Supposing a consignment is shipped from England, the bill of lading is sent through the Imperial Bank or the P. & O. Bank or any other European bank in Cochin or Madras. The bill of lading is made out in the name of the importer who pays the amount on the due date to the bank and gets the bill of lading. He gives intimation to the wholesale merchant who placed the order and the amount of the invoice is paid to the importer by the wholesale dealer. The importer gives delivery of the goods from the customs or the shipping agents' godowns to the wholesale merchant and is content to get only a small bonus or commission in this transaction. The wholesaler distributes the goods among the numerous retail dealers in different parts of the town at a price which leaves him a small margin of profit. The bank does not worry to enquire how the importer collects the money from the wholesaler or at what rate the latter distributes the goods among retailers. The Imperial Bank and other banks do not render any further help. Indian banks get money from the Imperial Bank at 6 or 7 per cent interest and lends it to the merchants at 10—12 and 15 per cent. In the case of sowcars and Multanis the rate of interest goes up to 24 per cent per annum and in some cases it may be even more. As already stated the city trade in timber, coir, copra, ginger, etc., is financed by the Indian bankers and also by Multanis and sowcars who charge interest according to the solvency of the party, the period of the loan, etc. As a rule the help of the Multani banker is invariably sought after by almost all tradesmen in the town owing to the ease in getting money without producing adequate security insisted by ordinary banks. Owing to some recent failures among some leading merchants in Calicut, the Multani money-lenders are reported to have lost heavily and consequently have stopped advancing money to the merchants and the relationship between the financiers and the financed remains strained. Due to this, the market keeps stagnant, the dealers being unable to meet the pecuniary demands of their customers, who supply various kinds of local produce, etc.

8. *Hundis*.—There are two kinds of hundis—ordinary and box. Ordinary hundis are generally discounted by the local banks when the party or maker of the hundi is not particular where it is discounted. In the case of some merchants and private individuals who are anxious to keep the transactions private, an arrangement known as "box hundi" is in vogue. In this case the maker pays the amount to the hundi merchant and not to the bank which discounts the ordinary hundi. The hundi merchant keeps all such hundis in a group and when they accumulate to a large amount, sends the whole lot to either Madras, Calcutta, Bombay or Karachi where the hundi merchant has branches and there an advance is received from any of the banks either European or Indian to cover 80—90 per cent of the value of the hundis. Before the time of payment arrives, say, within seven or ten days of the due date, the agent of the hundi merchant pays the discount bank the amount due and sends back the hundis to the place of making three or four days before the hundis are due. The maker at Calicut is informed by the hundi merchant and payment is made on the due date by the maker, thereby avoiding publicity, at slight extra cost. This system is in vogue amongst many merchants in this town as in other parts of the country. In the case of ordinary hundis the amount is paid to the makers by the hundi merchant and the discounting banks inform the

makers the date on which the hundis fall due. If the hundis are not paid promptly, the bank protests and the maker loses his reputation in the market. The hundis have a legal superiority over pro-notes. If the hundi is protested and is so certified by an actuary, the bank can proceed against the maker and attach his properties by a peremptory order of the court. In the case of pro-notes, this facility is not available.

A stamped paper is to be attached to the hundi at a rate of Re. 1-4-0 for Rs. 1,000.

Brokers or middlemen are employed by Multani money-lenders to canvass business for them. Some of them go to small merchants and offer them loan on hundis for which service a small commission is paid to the broker. Without the brokers' recommendation the Multanis will not consider any loan. In most cases the security offered may be next to nothing. The loan is given more on trust and on speculation. In such cases the rate of interest will be very high. The brokers also function in another direction, that is, they inquire in the markets if any dealer has to remit money for goods purchased to Bombay, Calcutta or Karachi or any other town. They get a statement of the sums to be so remitted. The Multanis or hundi merchants may be wanting to get some remittance from their offices in Bombay or Calcutta. As a sort of convenience more to themselves and to save the cost of money order or commission on bank draft, and interest for a few days, the Multanis through the brokers receive the sums from the merchants who have to remit money to firms in Bombay or Calcutta and give them a sight draft in return and also allow a commission of half an anna in the rupee.

9. Hundi is not only discounted in the town where it is made but also as above explained in other towns where it is possible to get money at a cheaper rate of interest, besides enabling the transactions to be made in confidence. In Bombay some Indian banks are reported to be competing with Imperial Bank and giving money on lower rates of interest.

10. In many cases rail receipts showing the quantity of goods sent by rail from any particular station are entrusted with banks for collection of amounts due from consignees. After paying the amount of invoices, the rail receipts are handed to the parties who take delivery of the goods. The importers have to pay the bank commission and other incidental charges which will be about 4 annas per cent.

Goods are also pledged with the bank as stated in paragraph 4 above. At present no difficulty is experienced by the merchants in transacting business through some of the banks; if, however, the rate of interest is reduced, it will induce more business. Government should finance manufacturing industries and trade in general by opening banks owned or subsidised by Government and offering cheap rates of interest and by other means. The development of industries is impossible without such assistance from Government.

**Memorandum on Coir Industry furnished by Mr. A. K. MENON,
B.A., F.C.S., Superintendent, Kerala Soap Institute, Calicut.**

The coir industry forms an important branch of the main coconut industry in Malabar. It gives occupation to a large number of poor people—particularly women and girls. Although the manufacture of coir is done on a cottage industry basis, the total output is large and the volume of trade is enormous. It is reported that at least 10 to 15 thousand women are engaged in coir work in Calicut. Of this about 2 to 3 thousand are employed in the yards of exporting firms like Messrs. Peirce Leslie, Goodacres, Aspinwalls, Bombay Company, Volkart Brothers, and others. The conditions of work cannot be said to be ideal nor the remuneration paid to the workers adequate. In fact labour is underpaid, the wages ranging from two to six annas per day of about 10 hours. In the case of women who carry on the work in their homes during the day at spare times and during night, the wages earned represent practically nothing. Although one might say that labour is sweated, in the absence of any other occupation to engage the women honourably and in their own homes, there is no other alternative but to take to this kind of work, which gives them at least a few annas per day.

Cost of raw materials and working methods.—The coir is made from the husk or the mesocarp of the coconut. It is estimated that 3,000 to 3,500 husks of whole coconut will yield about a candy of 700 lb. of fibre. Both the soaked (retted) and unsoaked husks are made into fibre, but the qualities of yarn will be different as will be seen below. The cost of 1,000 fresh coconut husks varies from Rs. 6-4-0 to Rs. 7-8-0. The same when soaked for periods ranging from three to six months fetch about Rs. 10 to Rs. 12-8-0. Out of one candy of soaked fibre about 18 maunds (25 lb. a maund) of coir are usually obtained. Fibre prepared by beating green husk is called unsoaked fibre. The purpose of soaking the husk is to make the fibre softer and stronger by removing the particles of pithy matter contained in the husk. Fibre prepared from unsoaked husks retains a good portion of the pith and its colour is slightly reddish and the yarn made from this is thicker and weaker than the yarn obtained from soaked fibre.

The poorer classes of women in Calicut belonging chiefly to the Tiya and Mappilla communities depend primarily on coir for their livelihood. Such of them as are not able to go out for work do the retting, fibre making and the yarn twisting at home. They take the husk or fibre from the neighbouring bazaar men who pay them in kind and very seldom in cash for twisting them into yarn. In some cases the women buy the husk themselves and prepare the fibre as well as the yarn. Husks of two coconuts are sold retail for three pies; from this yarn worth about one anna nine pies is obtained. Small skeins of about 8—10 yards long are sold for about two pies; about 10-11 such skeins are made from three pies worth of husk. The cost of yarn is inclusive of labour. Where the fibre is given to the women by the shop-keeper, he pays generally in kind for twisting at the rate of 1—1½ anna for about 3½ lb. of yarn. The yarn should be dry and if wet the weight is calculated after drying it. A woman can twist about 6½ lb. a day when working at her home and about 8 to 10 lb. when working outside. The maximum wage earned is about six annas per day. The bazaar men in different parts of Calicut collect in this manner a large quantity of bundles of yarn of different qualities from soaked and unsoaked husks and when they get a cartload they take it to the nearest wholesale produce merchant for disposal. The Mappilla merchants who deal in such goods, buy the yarns paying a price according to the quality. In some cases the produce merchants buy the yarn on commission that is they get commission of Re. 1 to Rs. 2 per candy on the sales effected through them to exporting firms. Amounts ranging from Rs. 100 to Rs. 500 are advanced to suppliers of yarn by these merchants and on such advances besides interest of 12 to 15 per cent, commission of Rs. 2 per candy is charged when the account is settled, after making due provision for dryage, rejection, etc. Where no advance is made, the rate of commission is only

Re. 1 per candy, the other conditions being the same. There are several private establishments where a number of women and girls are engaged in twisting the yarn in the shed of the owner who supervises the work. Some of these are financed by the owners but several get monetary help from the produce merchants in the form of advances and work on a contract basis.

It may be asked why the middlemen are necessary for the disposal of the yarn. The answer is that the petty dealers are generally poor and ignorant; their individual turnover may be small to warrant direct dealing with exporting houses whose requirements are large; they are hard up for money and cannot afford to wait till their claims after deducting for shortages, defective supplies, etc., are settled. Moreover according to some established practice, certain European houses favour particular brokers and purchase goods only through or from them. Further the well established produce firms have a staff experienced in the business who go to the exporting houses and supervise the sorting, drying, etc., and weighing the goods. These firms can supply goods as per specification and in quantities contracted for within the stipulated time and hold themselves responsible for shortages, etc., whereas the small dealer is unable to meet such demands and consequently cannot get a good price or even an offer from the European firms. They find it more convenient to go through the brokers and get advances of money for their immediate needs on the goods delivered. By this means, it is said, they can get a reasonable price.

In the yards of these Mappilla firms are employed a large number of women whose work it is to sort out the different qualities of yarn and also to lengthen the yarn by connecting short lengths, to suit the particular requirements of the export trade. For instance, the skeins sold by the bazaar-men to the dealers vary in length from 8 to 10 yards whereas for export they should be about 40 yards long. The women are experienced in this craft and can sort out a fairly good quantity per day. The coir yarn is sold by the Mappilla firms to the export houses in loose bundles and immediately the consignment is delivered an advance up to 90 per cent of the value of the goods is received, the balance being settled after the yarn is dried, sorted, baled and weighed for export, four annas per candy is charged for sorting the yarn. A large number of women are employed in the yards of European houses, for the purpose of doing this sorting, making the threads longer and also for winding them into suitable sizes for baling. Most of the European houses in Calicut get their supplies from the middlemen, but one or two firms are reported to have established out-agencies for collecting the yarn from petty dealers in the interior of villages and also for engaging workers to twist yarn from fibre. But this practice is found unremunerative and is fast dropping out.

Varieties of yarn.—The coir yarn is of different qualities and known under different distinguishing names. In every quality there are two or three grades and the prices also vary considerably. The best soaked quality is Quilandy and Badagara. There are two or three grades in these qualities according to the colour of the yarn, the thickness and freedom from pith, etc. The unsoaked varieties are known as F.U. (fine unsoaked), Kadalundy and Parappanangady. These qualities are inferior to the Quilandy and Badagara qualities as they are thicker and coarser and of a reddish colour and not very closely twisted and less strong. The names of yarn represent the villages where they were originally made but such names are now freely applied to the yarns made in Calicut and its neighbourhood. For instance, Quilandy yarn need not necessarily be made in Quilandy although a certain quantity of yarn is even now brought into Calicut market from places as far distant as Quilandy and Kadalundy.

Prices of yarn.—The Quilandy yarn is the best and prices of different grades are Rs. 70, Rs. 75, Rs. 80, Rs. 85 and Rs. 90 per candy of 700 lb. Badagara is slightly inferior at Rs. 62½, Rs. 67½ and Rs. 80 per candy. Fine unsoaked quality yarn fetches from Rs. 54 to Rs. 64. This is now made at Calicut and at Chaliyam. Parappanangady quality varies in price from Rs. 20 to Rs. 30 per candy. The rejections from this are available at Rs. 20 to Rs. 22½ per candy. It is understood that the cost of making one candy of yarn from soaked fibre is Rs. 22 to Rs. 23 according to the quality of the fibre, the cost of making cheap kinds being much less. The unsoaked quality is naturally inferior to the soaked quality as it contains as already stated some pith and the fibre is not smooth and soft, and the yarn itself is not of uniform size.

The Kadani yarn made originally at Cannanore is also brought to Calicut for sale. This yarn is supposed to be very superior in quality and sells at Rs. 115 to Rs. 120 per candy. It is very seldom exported to Europe but whatever quantity is sent out might be used for making coir belting for pulleys. Superior mats and imitation rugs are also made from the Kadani and Quilandy yarns. Kadani yarn is now being made in Calicut also.

A lot of cheap yarn comes into the Calicut market from Ponnani side and sells at Rs. 45 to Rs. 47-8-0 per candy. Some of these are moist and when dried will lose much weight.

Alleppey yarn is sometimes imported to Calicut for the purpose of making into mats of superior quality.

For export purposes only dry yarn is used as the presence of moisture acts deleteriously on the yarn during the voyage.

Some of the European houses bleach the yarn by the sulphur process to improve the colour and get a better value for it. Inferior quality yarn of dark or reddish colour when bleached will fetch Rs. 10 extra per candy. The bleaching does not improve the quality, if anything it reduces the tensile strength of the yarn although externally it may look alright. The best quality is never bleached, only inferior grade is so treated for mixing with the best quality.

Yarns of inferior quality are ordinarily shipped by native craft to Indian ports by Gujaratis and other Indian merchants in Calicut. Some of the Calcutta Jute Mills, however, take better quality of yarn. Africa is importing much coir yarn from Malabar. The yarn which is exported to Europe is said to be made into mattings, ropes and also as trellis for vine creepers in France and Spain. The best qualities are converted into brushes, pulley belts and also rugs. A certain amount of fibre is exported to Germany and France most probably for filling motor car cushions, bedding, etc. The trade in fibre is, however, small.

Statistics of export.—The quantity and value of coir yarn exported to European countries for the years 1926-27, 1927-28 and 1928-29 are appended. The yarn is pressed into bales each bale weighing 3 cwt. The Quilandy and the Badagara yarns have a measurement of about 9-10 cubic feet, whereas bales of unsoaked yarn measure 8-9 cubic feet. Roughly six bales go to a ton and the freight to European ports is 50s. per ton.

Finance.—As regards this industry we might say that the financing is done by the middle men. They buy the yarn from the bazaar men who get most of the supplies from women workers at ridiculously cheap rates. It is not possible to indicate in what manner the condition of the workers could be improved without affecting the trade. If wages of the women workers are increased it is likely that the cost of the yarn will be increased with the result that the exporting firms may not care to handle this product to the extent they do at present. In fact the export of yarn to Europe fell by about 2,400 tons in the year 1928-29 compared with the previous year probably owing to heavy stocks lying undisposed in the European markets. It is also understood that yarn is exported to Europe from Ceylon, Phillipines and some other countries in competition with Indian yarn. In order that a regular and steady trade be maintained in the Malabar yarn, it is imperative that the prices should be kept as low as possible and new markets discovered in Europe and America. The petty dealers are given advances of money by the produce brokers at rates of interest varying from 12 to 15 per cent besides charging a commission on the sales. If the rate of interest is reduced on such advances, the wages of women may be improved but it is doubtful whether the employers will extend the benefit to the women workers.

Some produce merchants get a loan from the local banks on coir yarn of good quality free from moisture packed in bales for export—50-75 per cent of the value being advanced and the balance settled after shipment is effected.

The rates at which different grades of coir yarn are sold to European buyers are given below:—

	£.	s.	d.	
Quilandy (3 qualities) .. .	29	10	0	per ton c.i.f. London and other European ports.
Badagara and Beypore (3 qualities) ..	25	0	0	do.
Fine unsoaked	23	0	0	do.

The prices of coir yarns, etc., current in the English markets (in January 1929) are appended.

The exporters make a net profit of at least £2 to £4 per ton on such shipments. Perhaps the only way by which the condition of the actual workers in this field can be improved is by organizing manufacture and sales on a co-operative basis. A beginning in this direction has been made in Calicut under the auspices of the District Co-operative Bank. The following particulars have been furnished by the Secretary, Rao Sahib V. K. Menon.

Marketing of goods through the co-operative society.—The object underlying this activity is to do some benefit to the actual workers whose labour is now not properly requited. There are nine primary societies for coir twisting and women workers form the members. A few men are also admitted to these societies to help the women in the management, writing up accounts, etc. The value of a share is Re. 1 and is collected out of wages paid to the workers in dribblets of quarter anna each at a time. Some of the well-wishers also contribute to the share capital. Fifteen to 30 members form a society and nine such societies with about 150 members are working in Calicut with a total share capital of over Rs. 600. A central society was formed with the primary societies as members with a share value of Rs. 10 each. In order to get more capital some private individuals and well-wishers were admitted as members of the central society of which the share capital now amounts to Rs. 810. There are 34 members in the central society. The District Co-operative Bank advances the central society for the purchase of husk and raw materials, chiefly fibre. These materials are supplied to primary societies and in return twisted yarn is supplied to the central society. For some time the central society was acting merely as agents of the primary societies but it was found that working as agents there was some difficulty in the management of the affairs. In order to inspire a better sense of responsibility on the central society, it was entrusted with the sales and held liable for the correct account keeping, etc. The profits are shared by members of the central society. Year before last Rs. 260 was distributed as bonus among eight primary societies. In the beginning there was difficulty in getting suitable men for managing the central society but the Government is now contributing Rs. 3 to each of the primary societies to meet the clerical charges and has also placed at the disposal of the central society one Co-operative Inspector mainly to look after the interests of this industry. Since this arrangement was introduced considerable improvement has been noticed in the working of the central society and primary societies. It is the object of the co-operative movement to enlarge the number of the central societies or to open branches of the central society in different parts of the town and also in the various districts and villages. It is also under contemplation to have a wholesale central society in a seaport town for handling all the finished products of these societies. As the volume of business increases, facilities for getting into business relationship with wholesale merchants will develop. At present the quantity of materials turned out by these co-operative societies is not sufficiently large to warrant direct sales to exporting houses but it is understood that one of the recently established export houses in Calicut is buying on trial the entire output of coir yarn produced by the co-operative societies. Last year coir yarn worth about Rs. 26,000 was sold at rates varying from Rs. 62 to Rs. 75 per candy of 700 lb. It is hoped that when more societies are established and when more people come to realise the benefits of working under a co-operative basis, larger output will be available for shipment to Europe.

Suggestions for improving the business.—The European houses follow a manual and purchase yarn only from a few approved produce merchants in the town. The crux of the problem lies in the sorting of the different qualities and if it is possible to grade them properly much better profits can be secured. The practice at present followed by the bazaar-men in purchasing the yarn from the women at ridiculously low rates and paying for it in kind, e.g., oils and sundry articles of food, etc., is vicious because they make double profit—one on the sale of sundry articles to the women and the other on the resale of coir yarn to produce merchants. The women have no other go but to sell their yarn at any price they can get, as they live a hand-to-mouth existence and are at the mercy of the bazaar men. If the Government through the co-operative societies can help such workers by paying a better value or arranging for cheap purchase of raw materials, it is possible to eliminate the middlemen represented by the bazaar men, petty manufacturers, produce

brokers and merchants. But the scheme is one of great magnitude requiring considerable financial backing and also the co-operation of honest and hardworking men. The question of protecting the interests of the workers is not everything; there is the broader and more difficult problem of finding a ready market for the products at favourable rates. If direct contact with the foreign purchasers could be set up, it may perhaps be possible to realize a better value for yarn at least Rs. 10 to Rs. 20 more per candy. But the question is whether it is possible to divert to these societies the trade which has been carried on for ever so long by the European export houses with foreign merchants. We are handicapped by the ignorance of the conditions prevailing in the foreign markets, absence of reliable information regarding the financial position of the importer in Europe, besides we have no clear idea of the conditions of shipping, rebate allowed on freight, etc. Without being posted up with the necessary details, it will be hazardous to undertake direct export business with foreign buyers. * But this difficulty can gradually be overcome by experience and if the Government will come to the aid. Indian Trade Commissioners should be appointed in various parts of the Empire and also in foreign countries to link up the foreign purchasers with the co-operative selling societies in this country; trade commissioners can set the ball rolling—in the beginning by acting as accredited agents of the society for receiving goods and making payments. But a sound organization is necessary to make this scheme a thorough success.

Coir manufactured articles.

These may be classed under

1. Coir matting,
2. Coir ropes,
3. Brush, belting, etc.

(1) This is made generally from inferior qualities of yarn and from rejections of Parappanangady and unsoaked fibre yarn. The yarn is woven in the ordinary way into matting, the width of the matting being one yard and length from 18 to 20 yards. Coarse matting costs from Rs. 2-12-0 to Rs. 6 per roll of about 18 yards. Superior matting made from Kadalundy and Kadani yarns fetch as much as Rs. 20 to Rs. 25 per roll of 20 yards. Alleppey yarn is imported to Calicut to make superior matting. Inferior quality of matting is made from yarns of original colour brownish red. But superior matting is made from yarns, which are dyed with red, green or any other colour to suit the buyer's fancy. Good matting is also made from undyed yarns; coloured yarns are used chiefly for making door-mats, cheap rugs and imitation carpets. Inferior matting is supplied to planters for use in Estates, as a cheap covering for floor, etc., of godowns and sheds. Better quality is used as spreads on verandas and rooms of bungalows. Matting is not generally exported to Europe—a good quantity is exported to Arabia and Persian Gulf ports. Most of the produce merchants and some exporting houses have a few hand-looms for making coir matting.

(2) Cords and ropes are made from coir yarn and some little business is done in this line in Calicut. There are three or four small rope works (hand worked) owned by Mappillas in the town. Only good soaked yarn is used for ropes as inferior yarn will not stand hard twisting. Rope-making is only a minor industry carried on for a few months in the year especially between October to March when Arab merchants carry on a big business of import and export by native craft between Calicut and Arabian ports. Ropes from $\frac{1}{2}$ inch to 10 inches thick and even 15 inches are made in Calicut. Each establishment can make in a day about 10 to 15 candies of ropes of 3 inches, 4 inches and 5 inches size and an average of about $2\frac{1}{2}$ to 3 candies of smaller size. The Arabs supply the yarn to the rope-makers. The cost of making ropes is Rs. 10 per candy. On an average the quantity of rope manufactured per day by the various establishments may be put down at 25 candies. The labour employed is mostly Mappilla men who are paid from As. 10 to As. 14 a day working from 6 a.m. to 6 p.m. with an interval of 1 to $1\frac{1}{2}$ hours during the day. Large size ropes have a length of 600 feet, and ordinary sizes are about 300 feet. The ropes are generally sent to Arabian and Persian Gulf

*Note.—One Indian firm in Calicut is said to have lost heavily by trading direct with foreign firms.

ports. Smaller ropes are more expensive than the bigger ones as the labour involved is the same for both sizes. Only the finest Quilandy or Elathur yarn is used for the purpose. Rope is seldom exported to Europe.

(3) Brush and belting of coir is not made in Calicut. In some parts of Cochin and Travancore this industry is carried on by some people.

**PARTICULARS OF THE PRICES OF COIR YARNS, ETC.,
CURRENT IN THE ENGLISH MARKETS IN
JANUARY 1929.**

						Per ton.	
						£. s.	£ s.
Coir goods—							
Fibre (West Coast)	...	...	...	...	...	25 10	30 10
Rope	...	...	...	...	...	...	...
Yarn (West Coast, superior)	...	...	...	...	...	35 15	40 0
„ (good to fine weaving)	...	...	...	...	...	20 10	34 15
„ (medium to good medium)	...	...	...	...	...	28 5	28 15
Mat and roping	...	...	...	...	...	18 0	22 0
Ceylon, fine and superior	...	...	...	...	...	28 10	40 10

Figures of export of coir fibre, yarn, matting and rope (sea-borne trade).

	Fibre in cwt.			Coir yarn in tons.			Coir rope in tons.			Matting in yards.		
	1926-27.	1927-28.	1928-29.	1926-27.	1927-28.	1928-29.	1926-27.	1927-28.	1928-29.	1926-27.	1927-28.	1928-29.
	CWT.	CWT.	CWT.	TONS.	TONS.	TONS.	TONS.	TONS.	TONS.	YDS.	YDS.	YDS.
Europe .. ..	..	..	..	7,500	9,000	7,200	..	..	..	Arabia and Gulf Ports.		
Other Foreign Ports.	422	925	778*	900	1,050	800	530	500	400	19,007	25,185	7,091
Indian Ports ..	..	..	..	2,000	2,200	1,800	1,060	900	1,000	4 annas per yard.		
	422	925	778	11,300	12,250	9,800	1,550	1,400	1,400			
	Rs. 6 per cwt. average.			Rs. 250 per ton average.			Rs. 320 per ton average.					
	* Half the quantity to Germany, mostly Indian ports.											

Rail borne trade in coir products is not very important; fibre, yarn, matting, ropes, etc., are sent by rail from Calicut to a few stations in Southern India.

Written evidence of M.R.By. V. SWAMINATHA AYYAR
Avargal, B.A., Deputy Registrar of Co-operative Societies,
Coimbatore.

I.—Agricultural credit and credit facilities for small industries.

The agriculturists in this district obtain finance by resorting,
 for purposes mentioned in class (a) to the money-lender, itinerating
 middlemen traders, co-operative societies;
 for purposes mentioned in class (b) to the money-lender, nidhis, co-
 operative societies, Government;
 for purposes mentioned in class (c) mostly to money-lenders and nidhis.

The rate of interest varies according to the nature of the security and the period of the loan. The shorter the period, the higher the rate and the interest on the security of the immovable property is generally lower than the interest on the loan covered by the security. The rate varies from 9 to 24, sometimes even to 36 per cent.

The part played by Government in agricultural finance is restricted mostly to issue of loans on the Land Improvements Act and the Agricultural Loans Act.

The system of administration of the two Acts has not enabled the ordinary ryot to take advantage of this kind of resource. The system is hedged in with restrictions, causes inordinate delay and subjects to a good deal of corruption on the part of subordinate officials who necessarily play a large part in the administration of this kind.

Further the provision of vigorous recovery irrespective of the conditions of the borrower have also to some extent been the cause of unpopularity to this system.

The Imperial Bank of India does not play any part directly in financing the agriculturist, as its powers to lend on the security of immovable property is restricted under the Act of its incorporation.

It helps agricultural finance ordinarily by placing finance at the disposal of the middlemen who act as bankers or nidhis and by such dealers of middlemen exporters of marketable agricultural produce like cotton, groundnut, by the grant of cash credit accommodation.

In one sense the Imperial Bank of India may be said to help those middlemen who fatten themselves at the expense of the agricultural population of the country by the reason of the credit facilities afforded to them by the Imperial Bank of India.

Similarly joint-stock banks also finance commerce and industry in a large scale and are generally unwilling to deal with agriculturists who require only small sums of money. It is in fact the co-operative banks that can deal more directly with the agriculturist through co-operative societies. But the total number of agricultural population touched by the co-operative banks is only a small proportion and in my view there is scope for large increase in co-operative organization so that the ideal to be reached is each village should have a co-operative society which can look up for a co-operative bank for financial help and supply the agricultural need of the agriculturist of the village.

The indigenous banker, professional money-lenders, merchants and dealers and other organizations that deal in credit to agriculturist mostly do so with the object of securing their own gain and not with the idea of improving the ryot and the methods and systems adopted by these agencies are to ensure the safety of their moneys and their interest even at the sacrifice of their clients. In their system of finance there is no safety for the borrower;

sometimes the credit supplied tending to throw under burden on him and sometimes being the cause of the deprivation of the landed property of the borrower, the system lacks the usefulness of the co-operative credit.

In the present system there is no safety and facility for the agriculturist requiring financial accommodation. The facilities provided in it degenerate into licentious credit—credit facile and safe should be provided by it—, should be credit controlled at every stage of the application of the credit and it is only the system of co-operative credit that can provide *these elements*. At present there is no connexion between the Government and other agency that deal in supplying credit. There is nothing preventing an agriculturist from borrowing from all or such of the agency for one and the same purpose. It is in fact the necessity, that the agriculturist is put to, to look up to every agency to supply his credit needs that has been the cause of his large indebtedness. At least in such village where there are co-operative societies the Government could not lend directly to the ryot but may be made to help such co-operative banks as have jurisdiction over such villages by raising necessary funds under the Land Improvements Loans Act and the Agricultural Loans Act at the disposal of the district central bank as is done in Bombay.

11.—Indigenous banking.

The two principal marketable produce in this district are cotton and groundnut.

Marketing these products is mostly in the hands of middlemen dealers who obtain the necessary finance from the Imperial Bank of India or other joint-stock concerns for advancing on the produce. These middlemen dealers with the help of cash credit facilities thus obtained employ a number of agents to cover the district with the advances either at the time of cultivation or just before the crop is ready for harvest. Thus the finance filters through a series of middlemen ultimately to the ryot who practically enters into contracts to sell their harvest at rates very much disadvantageous to them and another form of contract in weight and measurement, etc., are to their disadvantage. Further these products are also financed by owners of factories established for the purpose of making these products fit for export.

Thus in the case of cotton, cotton-ginning factory owners for the purpose of turning work in their factory also finance these middlemen.

Similarly in the case of groundnut factory established for decorticating groundnuts, money is advanced to attract people to give work for their factories.

These owners of factories almost get their resources from the Imperial Bank of India or other joint-stock concerns.

Thus the Imperial Bank of India will have the advantage of utilizing the State balances in helping industrial commerce and not agriculture in that it amounts to and gives help to a client who depends upon exploiting the agriculturist.

There is great scope for forming co-operative organizations to market these two products. An attempt has been made as far as cotton is concerned in the establishment of the Tiruppur Co-operative Trading Society but that organization is only doing what an ordinary village credit society will do, and if it is to be a real trading society, necessarily it will have to own a ginning factory, provide the necessary facilities to the producer to make the produce marketable—viz., ginning and crushing, godowns for storing the produce—, and educate its members on the value of trading his produce and selling his produce in bulk with the produce of his co-members. Steps are at present being taken in this direction to expand the activities of the trading society.

In respect of groundnut also a similar attempt is worth the attempt.

The credit facilities of the ryot for these undertakings are such that the co-operative central banks are not fit to undertake by reason of their limited resources and on account of the risk involved and the magnitude of the financial help required.

These co-operative marketing organizations should be conceived on a larger scale even from the outset and if they are to work successfully, the necessary finance for providing credit to members, machinery and building necessary for marketing the produce fit for exportation, should be provided by the Imperial Bank of India directly or by the State by enabling these organizations to come under the State Aid Industries' Act and whose provisions have to be liberalized very much further. I would prefer these organizations directly financed by the proposed reserve bank and it should have a rural credit branch forming a part of its activities and the financing of such co-operative marketing associations should be the chief if not the entire work of the rural credit department of the reserve bank. Further all these organizations should be directly connected with the exporting firms in other countries through the help of Trade Commissioners and the High Commissioner for India in England.

While in the case of foreign trade ordinarily there is scope for bills for the produce marketed, there are no such facilities in the case of internal trade on a large scale as the operation by the small amount involved is not attractive enough for joint-stock companies to deal in.

Written evidence of M.R.Ry. M. S. VARADARAJULU NAYUDU
Avargal, Honorary Trustee, Sri Kallalagar Devasthanam,
Madura.

1. (a), (b) & (c) For expenses during cultivation the agriculturist, if he is a ryot under a landholder, applies to his landholder for money loans and he succeeds rarely. The introduction of the co-operative system helps the agriculturist to some extent wherever it is possible for him to get access. The Government advances loans for cultivation purposes to the agriculturist to improve his lands such as digging of wells. For special needs, e.g., failure of monsoon, land revenue, etc., he feels much difficulty. He has to depend in majority of cases upon the sale of the grains only. The rate of interest charged by the co-operative banks is about 9 per cent and by the Government about 6 per cent. Professional money-lenders charge 9 to 18 per cent usually. I do not know many cases where the Imperial Bank of India or any of the joint-stock banks help the agriculturist by loans. The merchants and dealers having an eye upon their business advance loans to canvass business at 12 to 18 per cent interest. The agriculturist, especially the middle class, experiences great difficulty to improve his lands during the failure of monsoon. An agriculturist who owns an acre of dry land would require not less than Rs. 25 for the manuring of his land and land revenue. When he applies for a loan to the revenue authorities, the Tahsildar, the Revenue Inspector and village officers should have to help him. For small loans private parties require security of jewels in most cases, for large amount the lands are mortgaged. In cases where the Government and the Co-operative Department are ready to help the ryot or agriculturist, they should be easily accessible to the parties. I understand the Imperial Bank or joint-stock companies and the indigenous bankers are merely business people who care for their profits and they advance loans generally to merchants and dealers.

2. The stockists of grains go to the several places and purchase them and keep them in store and sell in retail when the market is favourable to them. So also the agriculturist takes his produce to the dealer in the market who stocks also. Sometimes he pays cash to the agriculturist wholesale or in parts as the crops are sold, charging his commission then and there.

The co-operative effort may be possible when there is some zeal and sincerity to help people, on the part of the authorities. The departmental people should not have as their aim only the solution of unemployment problem. I am of opinion that persons seek employment only for the sake of employment, but this idea may not be conducive for the advancement of the co-operative system especially. The co-operative movement should work on wide and financial basis, helping the ryot during cultivation and harvesting, working with the Agricultural Department during the first part and dealing in produce in the latter part. A major portion of the ryots or agriculturists are uneducated and not aware of the marketable facilities except meeting the urgent demands for paying the land revenue and discharge of loans under pressure. They never think of any advancement in the agricultural line or trade or business line. They do not know how the internal or foreign trade works and how difficulties can be met with. Sufficient education in this line should be imparted to the villagers.

3.	Paddy single crop	Rs. 500 to 1,200 an acre.
	Paddy double crop	,, 700 to 2,500 an acre.

The above are market rates in purchase by private negotiations. When there is a sale by Government auction or by court decree, it depends upon the number of persons who are present and bid in auction, as also upon the nature of the decree and the strength and influence of the debtor.

4. I am not aware of any land mortgage banks as such in our district. The legal impediment to mortgage land depends upon the title and enjoyment of the land by the owner or other persons. As regards the other points a thorough knowledge of facts is required. Some details have to be learned.

5. As already mentioned the agriculturists may require Rs. 25 an acre every year which he may be allowed to clear in instalments. The agriculturist may be advanced a loan for agricultural purposes only. As regards his other domestic expenses, the loans advanced may be fixed on his social status, the purpose for which such loans are required, his property qualifications and such things. The Government advance loans and collect them with simple interest in annual instalments. The banks force the parties to repay in fixed time; private money-lenders sometimes charge compound interest, even deducting interest for a fixed time from the amount advanced.

These are the main points upon which the financial condition stands as regards the agriculturist.

Written evidence of the Board of Revenue (Land Revenue and Settlement), Madras.

The questionnaire received with the Chairman's letter was referred to certain selected Collectors for remarks. Their replies are enclosed. As observed by some of these Collectors most of the points dealt with in the questionnaire fall outside the scope of the ordinary duties of an officer of the Revenue Department. The Board also is not in independent possession of any useful information on most of the subjects referred to in the questionnaire. It would however offer the following remarks, referring to previous papers where available on a few of the questions or portions thereof which it had occasion to consider recently or which bear some relation to ordinary land revenue administration.

I.—Agricultural credit and credit facilities for small industries.

1. *Loans*.—The Board would refer the Committee to section 43 of the Village Officers' and Ryots' Manual which abstracts the provisions of the Madras Takavi Manual and to Rule XI of the Revised Loans Rules at page 62 *et seq* of the Takavi Manual which contains provisions for a careful scrutiny of the security offered which is a necessary preliminary to the grant of loans.

2. *Marketing*.—The Board has no up-to-date information on the subject. It would however invite the attention of the Committee to the answer—Enclosure I—given about three years ago to a question from the Royal Commission on Agriculture in India. This answer contains a brief description of the market facilities, points out certain apparent defects in the system of marketing by which the middleman appropriates much of the profit and contains suggestions for improving the system.

3 & 5. *Value of land and indebtedness*.—The value of land depends on various factors which differ in different localities. Similarly as regards *indebtedness* the various factors involved are not always sufficiently distinguished. The Board can do little more than to refer the Committee to the statistics relating to sale and lease values of land and to the extent and causes of indebtedness contained in recent resettlement scheme reports (copies of which were already furnished to the Committee). These statistics relate to limited areas or are confined to an examination of a limited number of transactions, but the enquiries conducted by Settlement Officers in this direction are systematic and thorough and the statistics furnished by them can be taken to be fairly accurate within the limited sphere to which the enquiries relate.

4. *Record of rights*.—There is no enactment in this Presidency providing for the compulsory registration of ownership and of mortgages and other transactions. Proposals for the preparation of a correct record of rights have been formulated from time to time but on each occasion the question has been dropped mainly for the following reasons:—

(i) The expense involved in preparing and maintaining a correct and complete record,

(ii) the legislation required for the purpose would be resented by the people as it would restrict their freedom in the matter of land transactions and lead to inquisitorial proceedings, and

(iii) even if such a record were prepared it would not correctly represent the nature of the interest possessed by the person in whose name a piece of land is registered in view of the fact that under the Hindu Law ownership is often limited to a fluctuating share in the family property and that in some cases (e.g., widows), the owners possess only a limited interest.

The attention of the Committee is invited to paragraph 5 of G.O. No. 1252, Revenue, dated 1st June 1916, and to paragraph 1 of G.O. No. 53, Revenue, dated 7th January 1919.

In this connexion the Board also desires to refer the Committee to the enclosed copy (Enclosure 2) of the preliminary memorandum on the fragmentation and consolidation of agricultural holdings forwarded by the Board to the Royal Commission on Agriculture in India in 1926. It will be seen from this memorandum how in the peculiar conditions of this country with its special laws of inheritance and the particular glamour of being called a landowner which pervades the country, fragmentation of holdings is inevitable and how any attempt to prevent it will tend seriously to upset the social and economic equilibrium of the masses at large.

III.—Investment habit and attraction of capital.

2. *Post office cash certificates and investment habit.*—A copy of B.P. Routine No. 7226, dated 21st October 1929 (Enclosure 3), which contains the remarks submitted to Government in connexion with the recent conference of financial representatives is enclosed for the information of the Committee.

ENCLOSURE 1.

The information given below has been compiled from district reports.

(a) Existing market facilities cannot be considered to be satisfactory. It is only in the case of a few commodities generally those which are exported to foreign countries that there are markets in the sense of the term as used by economists. Except perhaps in the case of cotton, there is no real market in this Presidency. The buyers and sellers of the several commodities are not in direct contact with one another, but are scattered and have to travel about too much or use too many intermediaries.

In the case of commodities intended for internal consumption markets are still less defined. The rural markets which are held every week at various centres in most district of the Presidency play an important part in the collection and distribution of local produce. A description of these markets and of the methods of doing business there is given in paragraphs 28 to 33 of Chapter XII of Mr. Boag's report on the census of 1921 (Volume XIII, Part I). Even the biggest of these markets serve only a small local area and are really very small. They are shops rather than markets and only take the place of a number of specialized shops in towns.

There are no defined market places for particular kinds of produce and the same merchant generally deals in various commodities with the result that he has no adequate knowledge of the quality of the various articles dealt with, the fluctuations in their prices or the markets where they are most in demand. Commercial development is thus hampered.

The present system may improve with more differentiation and more specialization but this cannot be achieved until sampling and grading become more popular and common. At present the ryots have to borrow from money-lenders at exorbitant rates of interest or they are obliged to sell their produce for less than the market prices to traders or commission agents who have given them advances on condition that the produce is sold to them after the harvest. The formation of rural co-operative credit societies for the disbursement of short-term loans to cultivators will to some extent save them from these difficulties and enable them to realize better prices for their produce.

(b) The existing system of marketing and distribution is not satisfactory. There are too many intermediaries between the producer and the consumer or in the case of articles exported overseas, the exporter. A considerable proportion of the price paid by the consumer in India or by the exporter is appropriated by middlemen and does not reach the producer. In the case of cotton and groundnut, for instance, the channel of marketing and distribution is from the cultivator to the village trader, from the village

trader to the wholesale merchant or commission agent at the larger centres of trade and from the wholesale merchant or commission agent to the local agent of an exporting firm and from the local agent to the head office of the firm or other convenient place of export. Sometimes there is in addition a broker between the wholesale merchant or commission agent and the local agent of the exporting firm. The small traders purchase the produce from the cultivators either in the villages or at the weekly markets, transport it to the larger centres of trade and dispose of it to the wholesale merchants or commission agents. These persons stock the produce temporarily in their godowns, arrange to decorticate the groundnut or gin the cotton, submit samples to the local agents of exporting firms and arrange for the sale of the produce by entering into agreements with them regarding the price and the time of delivery. Where a broker is employed between the wholesale merchant or commission agent and the local agent of the exporting firm, he arranges for the sale of the produce. In some areas commission agents employed by exporting firms purchase the produce direct from the ryots through their agents. In the case of pepper, ginger and coconut which are exported to foreign countries from the West Coast, the channel of marketing and distribution is much the same as that for cotton and groundnut.

The village traders generally act as merchants and sometimes as commission agents of wholesale merchants. The wholesale merchants or commission agents at the larger centres act partly as merchants and partly as commission agents. Brokers of exporting firms act solely as commission agents.

In the case of commodities intended for internal consumption, such of them as are consumed locally are sometimes sold by producers direct to consumers either in the villages or in the nearest weekly markets but more frequently the retail merchant takes a part in such distribution. As regards commodities which are sent to other consuming areas, the channel of marketing and distribution is more or less the same as that for articles which are exported outside the country. It generally runs from the cultivator to the village trader, from the village trader to the wholesale merchant at trading centres, from the wholesale merchant to the retail merchant and finally from the retail merchant to the consumer. The village trader performs the same functions as in the case of articles intended for export. The wholesale merchant acquaints himself with the prices at the different trading centres and arranges to send the produce to such centres or dispose of them to retail merchants locally. The village traders act partly as merchants and partly as commission agents of wholesale merchants in these transactions.

The rice factories which have been established in many districts (especially in the delta districts) play a large part in the marketing and distribution of paddy. The produce is taken by the cultivators to the factories and sold or the agents of the rice mills collect it from the several villages in the area and transport it to the factories. It is converted into rice in the factories and sold locally or exported to other districts. The owners of these factories act as merchants and not as commission agents.

As regards the margins on which the intermediaries operate, the rates of commission paid to brokers and commission agents vary greatly in different tracts and also for different kinds of produce. The profits of merchants vary with the state of the season and the demand for the commodities. It is not possible to give any concise and definite information on the point. During the cultivation season the village traders and the agents of wholesale merchants sometimes make advances to cultivators on condition that the produce is sold to them at a stipulated rate as soon as the harvest is over. The prices realized by the cultivator in such cases are less than the market prices. Ryots sometimes borrow from co-operative societies. The local traders are financed by the village money-lenders or by wholesale merchants. Traders sometimes purchase the produce from the ryots on credit and pay the purchase money after the produce is disposed of. Wholesale merchants make their payments either immediately or after a stipulated time and are financed mostly by local borrowings. Retail merchants are very often allowed credit by wholesale merchants.

The system of barter is not generally in vogue and is rarely resorted to.

(c) In the case of produce destined for the Indian market, the provision of better kinds of seeds and seedlings would help to improve the quality of the produce. The Agricultural Department is already doing something in this direction but much remains to be done. The Indian Leaf Tobacco Development Company secures purity by buying only from growers of its own seedlings, an example which might be more widely imitated.

As regards the export market only a gradual realization of the loss of trade resulting from the discovery of adulteration is likely to do much good. It has been suggested that legislation might be undertaken for the prohibition of adulteration, but it is an almost impossible task to check adulteration in a country like India. The establishment required for the purpose would be enormous and it would find the greatest difficulty in working even if it could be trusted to work honestly.

(d) the publication of information regarding the conditions of the markets and of agricultural and marketing news in general is not likely to be of much advantage to ryots. They are too illiterate and conservative and such information as may be published is not likely to reach them. At present retail prices are published in district gazettes. Wholesale prices of the principal commodities might perhaps be similarly published.

ENCLOSURE 2.

Fragmentation of holdings is inevitable in such a country as India which is mainly dependent on agriculture for the support of its population. The spirit of the Hindu Law and of Indian agriculture favours a wide distribution of the land and its cultivation by peasant farmers. Fragmentation of holdings is therefore inevitable and the revenue system which has been framed to suit the sentiment and tradition of the population has necessarily to provide for such fragmentation. The essence of the ryotwari system which is in force in this Presidency is that each individual holder of land pays land revenue in proportion to the extent of his holding and to the quality of the soil. The Government looks to him independently for the payment of such assessment and in consequence does not prevent him but, on the other hand, actively assists him in subdividing the land according to his enjoyment. Such separate subdivision and enjoyment in turn give to the owner of the land certain privileges not only in the administration of the revenue laws and regulations but also in other respects.

2. There are no reliable statistics to show the extent to which fragmentation of agricultural land has proceeded in this Presidency. There are, of course, the statistics relating to holdings. Lands on ryotwari tenure are held under 'patta' and a patta may be in the name of a single individual or jointly in the names of several. These pattas are divided into grades according to the total amount of the assessment payable on each. The statistics of the number of holdings and the average extent of the holding in each of these grades during the last two decades show a tendency on the part of the smaller holdings to become even smaller, but no useful or accurate deductions as to the economic condition of the agricultural population can be drawn from them. A man may hold more than one patta and a joint pattadar may in addition have a patta or pattas standing in his name alone. Most of the smaller ryots have also subsidiary occupations. be fragmented, that is to say, may consist of tiny plots situated in different parts of the village, that is to say, may consist of tiny plots situated in different parts of the village.

3. To a certain extent the increase in small holdings cannot be avoided. India has always been, and will for a long time, be a purely agricultural country. With the establishment of a settled Government and with the assurance of peace and security of person and property there has been a general increase in population. The possession of land, however small the holding, is still considered as giving the owner of it a status in the village. There is therefore a general ambition to possess lands. This partly accounts for the increase in the small holdings.

4. It is difficult to lay down any definite rules to determine in what cases division of holdings is undesirable. The mere size of the holding is in itself no test; the real evil is the lack of arrangement by which holdings, large or small, consist of separate plots of land scattered more or less over the whole village area, perhaps in all directions from the home of the cultivator. It is difficult for a ryot to cultivate cheaply and properly a holding divided into scattered blocks. Unnecessary ground has to be covered by the workers by the bullocks and ploughs and the owner supervising the work, the smaller the holding and the smaller and more scattered the blocks, the worse the situation becomes. The question is whether subdivision and fragmentation have been pushed so far that the land has been parcelled out in such a way that in many cases a large proportion of the peasant proprietors have not got 'economic holdings', or in other words, whether the holdings have been fragmented in a way for which there is no economic justification and whether the bulk of the land has been put outside the scope of effective cultivation or economical organization.

There are no accurate statistics, but judged with reference to agricultural economics there is undoubtedly a large number of holdings that are too small and too fragmented, and it is impossible to contest the proposition that a large number of ryotwari pattadars subsist on 'uneconomic holdings.' It is not easy however to determine what is an 'economic holding' and the question when a holding becomes 'uneconomic' will depend on local conditions, the description of land, the fertility of the soil, the nature of the crop and the standard of living of the ryot, and it may be doubted whether fragmentation has gone to such an extent in this Presidency as to put the bulk of the land outside the possibility of effective cultivation or economical organization.

5. Public attention in this Presidency was drawn to the subject of fragmentation of holdings by a resolution moved by the Hon'ble Mr. A. S. Krishna Rao in the local Legislative Council in May 1917. The resolution was in these terms:— "This Council recommends that His Excellency the Governor in Council be pleased to consider the desirability of checking the minute subdivision of agricultural lands in this Presidency." In moving the resolution the Hon'ble Member threw out a suggestion that economic holdings might be formed by re-grouping the fragmented lands. This proposal to declare agricultural land below a certain limit indivisible and impartible was opposed by two leading non-official members. Government however accepted the resolution and undertook to consider the matter and to see whether any practicable steps could be taken in the direction suggested.

6. About the same time, Mr. Keatinge, the Director of Agriculture, Bombay, was interesting himself in the question of the prevention of fragmentation of agricultural holdings and the formation of economic holdings in the Bombay Presidency. Copies of the report which he made to the Bombay Government and his draft Bill on the formation of economic holdings were obtained. In the report, Mr. Keatinge dealt in detail with the causes and the economic evils of the fragmentation of holdings and explained how in other countries similar causes had produced similar results and what remedial action was taken to meet the evil. His report and the Bill will doubtless be dealt with in detail by the Bombay Government. Copies of the report and the Bill were however circulated and opinions were taken how far the proposed legislation could be made applicable to the holdings in this Presidency. The Bill was only permissive in character. It provided for the formation of 'economic holdings' by the Collector and also for special rules of succession in regard to them. It was intended to give the ryots an opportunity of re-forming their holdings in such a way that they would cease to be uneconomic. Neither the ryots nor the officials were in favour of the legislation. General opinion was also sceptical as to the efficacy of the Bill. In the face of the opinions expressed by the officials and the non-officials, the Board considered that the Bill recommended by Mr. Keatinge was open to the strongest objections, the more obvious of which were summarized as follows:—

(1) There would be the utmost difficulty in determining for the purpose of the Bill what constitutes an 'economic holding', the value of land varying, as it does, according to the nature of the crops it can produce, the method of its cultivation, climate, the standard of comfort of the owner and so forth.

(2) The Bill aims at creating a vast mass of petty impartible holdings all over the country in defiance of the whole social system of Hindus and Muhammadans alike.

(3) Its operation would, as a rule, be confined to those families which are rich enough to compensate such members as are excluded from the economic holding, that is to say, to the very cases in which there is the least need for any special arrangements. In so far as the Bill could be applied to poor families it must tend to create a landless proletariat which is always a danger and doubly so in a country where industries are so little developed that they cannot absorb the surplus agricultural population.

(4) It would afford an opportunity to co-sharers to effect collusive registration thereunder for the purpose of defrauding creditors.

(5) Its general effect, it may be surmised, would be to impair the credit of the agricultural classes.

(6) All transactions relating to land would be complicated by the question whether the condition of impartibility existed.

(7) It would involve the revenue establishment in troublesome and often infructuous inquiries on applications for creating economic holdings and on complaints that the rule of impartibility had been broken.

(8) It would undoubtedly prove a fertile source of strife in families.

Government were not prepared to undertake legislation even in a permissive form but they requested the Board to consider the possibility of carrying out an experiment for the re-arrangement of holdings by consent in some typical villages in a district in which a special staff was engaged on adangal revision prior to a resettlement. The experiment was attempted in Trichinopoly but it was found that the ryots were generally averse from any interference with their present law of inheritance giving each son an equal share of the family property and with the long established custom of partition, securing a mathematically accurate division of a holding amongst heirs. Government considered that so long as subdivisions had to go on for one reason or another in view of the traditions and practices of the holders of land, any attempt at consolidation of holdings was bound to fail and directed the experiment to be discontinued. It was decided that the real remedy for the evil rested with the people themselves and the solution of the problem apparently lay in educating them regarding the evils of fragmentation and the economic advantages of consolidation of holdings. With this view a pamphlet prepared by the Registrar of Co-operative Societies was published under the authority of the Publicity Bureau in the year 1920.

7. As things stand at present, there is no limit set to the subdivisions of fields except in three cases:—

(1) When a portion of a field is relinquished, it should not be less than 1 acre in wet and two acres in dry unless the relinquishment is made from causes beyond the ryot's control;

(2) in transferring lands from wet to dry, the area to be transferred should not be less than 25 cents; and

(3) subdivision for transfer from double crop to single crop or for compounding wet land for double crop charge is not permitted if the area is less than one acre.

8. The Punjab is perhaps the only province in India where the problem of fragmentation of holdings has been seriously tackled. After much preliminary spade work some wonderful results have been produced there in the matter of consolidation of holdings by co-operative societies, and there is a striking contrast between the village maps before consolidation and after it. The experiment in the Punjab has thus proved that something can be done by the Co-operative department in this matter. But whether the results will be permanent or not is a different question, as the forces of disintegration are at work and must, in the end, prevail. In any case, if the experiment is to be tried again in this province, it is work that must be done by the Co-operative department and not by the Revenue Department.

ENCLOSURE 3.

B.P. Rt. No. 7226, dated 21st October 1929.

Read the following:—

From Government, Finance Department, Memorandum No. 32800-
Accts.-1, dated 15th October 1929.

Resolution—

[Post offices—Post office cash certificates and other Government securities—
Popularisation among the small investors all over India—Board's
remarks—Submitted to Government.]

With reference to the Government memorandum read above, the Board submits that savings associations on the lines of the National Savings Associations in England may with advantage be started in this Presidency under the guidance of district Collectors who might be able to select honorary workers willing to form and organize these associations. A good deal might also be done by forming such associations among clerks in Government offices.

The Board also considers that Vernacular translations of the leaflet issued by the National Savings Committee in England might be circulated broadcast with advantage among the middle classes.

(Sd.) B. G. HOLDSWORTH,
Secretary.

To the Secretary to Government, Finance Department.

ENCLOSURE 4 (1).

**Written evidence of A. M. A. C. GALLETTI, Esq., I.C.S.,
Collector of Tanjore.**

I.—Agricultural credit and credit facilities for small industries.

(a) *Expenses during cultivation.*—The total area under wet cultivation in this district is 173,732 acres (as per accounts of fasli 1338) and that under dry cultivation 457,627 acres. Of the ryots under the wet area, those under the Tambraparni valley are not in need of any help from any bank. The owners generally lease out their lands to tenants and advance money for expenses necessary for cultivation and get back the amount with little or no interest at the ensuing harvest. The wet area under the Tambraparni is about 88,000 acres. The net area under wet cultivation in non-Tambraparni valley is 85,732 acres and under dry cultivation 457,627 acres. Taking the average expense of wet cultivation at Rs. 50 per acre and that of dry cultivation at Rs. 25 per acre, the total approximate capital required for cultivation operations in the non-Tambraparni valley works out to—

	Rs.
Wet cultivation 85,732 × 50 =	42,86,600
Dry cultivation 457,627 × 25 =	1,14,40,675
Total ..	1,57,27,275

Of the ryots under the non-Tambraparni valley only about 50 per cent may be estimated to be in need of loans. At present this amount is mostly borrowed from indigenous bankers at the rates of interest varying from 18 to 24 per cent on the security of pro-notes, joint pro-notes and pledge of jewels. The co-operative credit societies also advance a portion as loan. An estimated capital of about 50 lakhs may be required annually for grant of loans to landowners under the ryotwari tract. A further sum of about 25 lakhs may be needed for disbursement as loan to the tenants in zamindaris and whole man villages. These loans may be advanced on the security of pro-notes and joint pro-notes at the rate of 9 per cent interest.

(b) *Capital and permanent improvements.*—Permanent improvements are not usually attempted for want of funds and fear of raising loans at high rates of interest from indigenous bankers. A few persons have recourse to takavi loans and a sum of Rs. 50,000 has been advanced by Government in 1928-29 for sinking wells, for reclamation of lands and for purchase of plough bulls. An allotment of about 5 lakhs of rupees may be needed every year to meet the requirements under this item.

(c) *For other special needs.*—The annual amount of land revenue due to Government on the ryotwari holdings is Rs. 29,30,418 and the pech-kash and quit-rent on estates is Rs. 2,87,793 thus making a total of Rs. 32,18,208.

The collection of land revenue begins in February while the harvest of the crops begins in March. The ordinary ryot finds it difficult to pay his kist in February and is unwilling to sell his crop for the price offered to him in March. Many ryots are now at the mercy of indigenous bankers who take advantage of the urgency and demand exorbitant rates of interest. Some borrow, while others reluctantly sell their crops for low values in March. It will be an advantage if money is lent to needy persons on the security of crops in February and March. The harvested crop should be deposited in sealed godowns. A capital of about 10 lakhs of rupees may be required for advancing loans on account of land revenue. A few of the co-operative banks working in the district have recently given a start to this scheme but the result remains to be known.

The amount borrowed on occasions of weal and woe, failure of monsoon and the like may be about 5 lakhs of rupees every year. The people have recourse to the Imperial Bank and the co-operative banks in places where

such exist at the rates of interest varying from 9 to 12 per cent on the security of simple and mortgage bonds. In other places the ryots are in the hands of indigeneous bankers who extort high rates of interest from needy ryots.

(2) The principal crops in the district are—

Paddy.

Cotton.

Cholam.

Cumbu.

Ragi.

Chillies.

Onions.

Plantains.

Brinjals.

Pulses such as horsegram, Bengalgram, gingelly and palmyrah produce.

Merchants and agents travel all along the rural tracts and advance money for the purchase of the produce at low rates about a month before the crops are harvested.

They also go throughout the district in the harvest season and purchase paddy. The produce is also taken to the weekly markets held in different parts of the district where they are sold for whatever is offered to them by the merchants.

Chillies, onions and gingelly in large quantities are also taken to Pettai near Tinnevely and sold to wholesale merchants who usually get a large profit.

For the present, if godowns are hired at different centres and money advanced to the needy ryots at the rate of 9 per cent interest on the deposit of their produce they will be able to sell their produce at fair rates whenever there is real demand to them.

(3) *Value of lands.*—The value of ordinary dry land of interior quality varies from Rs. 10 to Rs. 50 per acre, black cotton soil ranges from Rs. 100 to Rs. 300 while garden land with wells is valued at Rs. 500 to Rs. 1,500 per acre.

The wet flat under the Tambraparni valley is valued at Rs. 2,500 to Rs. 4,000 per acre and that under other river-fed sources is valued at Rs. 1,200 to Rs. 2,500 and wet fields under rain-fed sources are valued at Rs. 600 to Rs. 1,250 per acre.

There is not much difference in value between land offered for sale for arrears of land revenue and that offered for sale in pursuance of court decrees. But the value of land purchased by private negotiation is generally 25 per cent greater than the value obtained by other kinds of sales.

(4) There is no legal impediment to mortgage of land and agricultural holdings in this district, except that Hindu widows and guardians of minors cannot alienate the properties without sufficient cause.

There are no banks specially established for advancing loans on mortgage of lands alone but most of the bankers accept only land mortgage as a proper security.

The Mysore Agricultural Dairy Farm Company comprising the Livestock Compensation Bureau has a branch office at Tinnevely and there is an agricultural bank at Srivaikuntam.

In order to ascertain the correct ownership and the existing mortgages of any field offered as security enquiry similar to that in grant of takavi loans ought to be made and the facts ascertained.

The working capital of mortgage bank should be largely raised from "deposits."

(5) An accurate estimate of the existing indebtedness of the agricultural classes may be obtained on a reference to the Tahsildars for submission of a statement in a prescribed form.

It cannot be said that a large number of efficient farmers are being turned into tenants, cases of rare occurrence are due to extravagant expenditure on the part of such farmers.

(6) There are three sugar factories in this district—one at Kulasekarapatnam, a second in Letchumana Tope in Tirukalur village, Tiruchendur taluk and a third in Tachanallur. The factory at Kulasekarapatnam is not working now.

(Unrefined) sugar is manufactured in a small scale at Ravanasamudram village, Ambasamudram taluk and at Mottalamparai, Tenkasi taluk. There are three cotton mills at Papanasam, Tuticorin and Koilpatti; three cotton presses in Tuticorin and 24 ginning factories, five in Tuticorin, one in Sankarankoil and eighteen in Koilpatti taluk. Jaggery is made everywhere. Fine mats of korai grass are made in Pathamadai, Ambasamudram taluk and ordinary mats are made in several places. Handlooms are at work in parts and weaving industry is carried on in several parts.

(7) There is generally no co-operation among the bankers in this district.

II.—Indigenous banking.

Most of the banks in this district are "deposit banks." They are generally conducted by Nattukottai Chettis, by wealthy Brahmins of Kallidai-kurichi and Sundarapandiapuram and by persons who served as accountants under Nattukottai Chettis. These banks lend money mostly to traders and not so much to the agriculturist or the industrial class. The indigenous banker mostly raises his capital by deposits and the average capital is about a lakh of rupees. His expenses amount to about Rs. 70 to Rs. 100 a month. Some of them do hundi business also. Money is ordinarily advanced by them at interest varying from 12 to 18 per cent and deposits are received in two ways—current deposits to which interest is paid at 3 to 4½ per cent and fixed deposits at 6½ per cent. Abnormally high rates of interest and penal interest are sometimes disallowed by civil courts.

There are at present no recognized banks in this district for advancing loans for agricultural purposes. About 100 banks may be opened in selected centres throughout the district and a district bank having control over the 100 banks in the rural areas may be opened at the district headquarters. Each rural bank may be allowed a capital of about Rs. 10,000 to start with and the district bank Rs. 1,00,000. The banks may be Government guaranteed banks so that they may attract the attention of the public and secure 'deposits.' Loans for agricultural purposes and for land revenue may be on joint pro-notes and on the security of the crops and loans for other special needs may be on land mortgages. All loans may be advanced at 9 per cent interest.

Deposits may be received in two ways—current deposits may be paid interest at 4 per cent and fixed deposits at 6½ per cent.

Remittances to be made by traders and others may be accepted on the system of bills of exchange or cheques. For the present, hired buildings having sufficient accommodation for the deposit of crops may be engaged and the question of putting up permanent buildings may be considered later.

(2)

Written evidence of J. A. THORNE, Esq., I.C.S., Collector, Tanjore.

By protracted enquiry I could no doubt obtain a certain amount of information on some of the questions, but very few of them are germane to the work of the Revenue Department, and an elaborate enquiry is ruled out by the Board's request for very early remarks. Within these limitations I find that the only question I can answer, and that only in part, is question 3. I append a statement giving figures compiled from files relating to acquisition and from the sales of land for revenue arrears held in the last three years. The land acquisition figures may be taken to be tolerably indicative of the actual value of the land acquired. The figures for sales for non-payment of revenue are of very varying reliability for this purpose. In Tanjore taluk, for instance, revenue sales are, as a rule, infructuous owing to the attitude of the Kulla villagers who combine to prevent a fair price being realized. In other taluks the same objection does not apply with so much force, but lands are of varying quality and, as a general rule, inferior.

Appendix.

Statement showing the value of wet and dry lands per acre.

Name of the taluk.	Sale for non-payment of revenue.						Land acquisition files.	
	Wet.			Dry.			Wet.	Dry.
	Extent sold.	Amount realized	Average per acre.	Extent sold.	Amount realized.	Average per acre.	Average per acre.	Average per acre.
	ACS.	RS. A.	RS. A.	ACS.	RS. A.	RS.	RS.	RS.
Tanjore ..	70.79	1,355 6	19 0	451.63	1,411 8	3	1,334	500
Kumbakonam.	7.02	2,174 4	309 0	2.64	324 12	150	1,126	677
Papanasam ..	31.12	2,983 0	96 0	20 57	1,356 2	66	750	469
Mayavaram ..	2.04	725 0	355 0	0 36	149 8	417	870	250
Sriyali ..	5.58	682 0	122 0	0.16	13 0	81	900	480
Nannilam ..	3.75	1,589 0	424 0	0.32	115 0	359	899	408
Negapatam ..	11.05	1,123 0	102 0	0.53	47 8	90	814	442
Mannargudi ..	2.87	1,339 8	467 0	1.74	30 14	18	244	..
Tirutturaipundri.	6.74	246 0	33 0	No sale.			..	271
Pattukkottai ..	17.64	425 8	24 0	39.90	481 11	12	..	321
Arantangi ..			No sale.				450	209

(3)

**Written evidence of D. N. STRATHIE, Esq., I.C.S., Collector of
Chingleput District, Saidapet.**

1.—Agricultural credit and credit facilities for small industries.

1. (a) The main expenses for cultivation are—

- (1) ploughing and baling charges,
- (2) cost of seeds,
- (3) weeding and harvest charges, and
- (4) purchase of bulls.

In most parts of this district the charges covered by items 1 to 3 are paid in kind, viz., paddy or ragi. Only a few rich men pay cash for them. Those who are poor and who cannot therefore afford to meet the charges in kind borrow paddy or ragi under the system known as 'nangu.' Those who do not have stock of seeds with them also borrow seeds under this system. Under this system paddy or ragi is borrowed from the well-to-do people in the month of Adi or Avani corresponding to the English months of July and August. Every kalam (i.e., 12 marakals) of paddy or ragi borrowed has to be returned with an addition of 2 marakals of similar kind immediately after the harvest is over. The nangu, i.e., interest on the grain given is for the seven months that intervene between the date of borrowing and date of return. This is how the majority of the poor agriculturists meet their expenses of cultivation. Of course, a few take money loans also to meet this item. For such money loans the interest charged is never less than 12 per cent.

(4) In some parts of this district this item of expenditure is met by taking loans from Government under the Agriculturists Loans Act. Many obtain loans from private individuals either by executing a promissory note or by pledging jewels or lands. Fifty per cent of the persons who obtain loans from Government on the plea that they are going to buy bullocks do not actually use the loan amount for this purpose. The money is utilized for meeting their other debts or some other expenditure and in some cases they even lend out the money borrowed from Government at a higher rate of interest.

(b) Capital and permanent improvements may be chiefly classified under two heads, viz.—

- (i) Sinking of wells and
- (ii) reclaiming of lands.

Loans are obtained under the Land Improvements Loans Act for these purposes. Some also resort to borrowing from private capitalists. Instances of permanent improvement are however comparatively rare. Very few agriculturists realize the advantages of improving their lands. Most of them confine themselves to an attempt to get the utmost out of their petty holdings with the least expense possible.

(c) *Failure of monsoon.*—This would probably have less effect in Chingleput than in other districts. Many of the richer agriculturists have got other avocations in Madras from which they are able to meet the land revenue and other expenses. In years when the rains fail the poorer ryots leave their holdings uncultivated and eke out their living for the time being by doing cooly work in Madras.

Land revenue.—Land revenue falls due in this district on the 10th of January, February, March and April. By the time the first kist falls due or is actually paid by the ryots the sembala paddy is harvested. For the second kist, sirumani and vadasamba are harvested and hence these two kists are usually met from the sale of the proceeds. In some cases they will even cover the third kist. It is the fourth kist that gives rise to difficulties. By April there will often be no crops on the lands and even if there should be any they will not be ripe for harvest. For this kist many borrow money by pledging jewels or by offering the standing crops as security.

For money loans the general rate of interest charged by money-lenders varies from 12 to 36 per cent per annum according to the security offered. As a rule no period is fixed for the repayment of the loans. Jewels, houses, and lands are the usual forms of security. Standing crops are not often accepted. The professional money-lender invariably deducts the interest due on the amount lent by him in advance, if money is borrowed for small periods, and charges compound interest if it is not returned on the due date.

2. The principal crops of this district are either sold locally to the Madras merchants who visit the rural parts to buy paddy or else they are taken to Madras in carts and sold there. Pettai near Poonamalle is rising in importance as a market for rice.

3. Wet lands are valued from Rs. 300 to Rs. 2,000 per acre. Paddy and betel leaves are the principal crops grown in these lands. Lands which produce dry crops like ragi, groundnut, vegetables, etc., range in value from Rs. 50 to Rs. 500 per acre. Lands on which casuarina plantations thrive are valued from Rs. 30 to Rs. 100 per acre. The important factors which affect the value of lands are (1) their situation such as proximity to the road, market-place, and the irrigation source; (2) their sort and soil, (3) the capacity of the irrigation source under which they are classed as wet, (4) the quality and quantity of agricultural labour which is available in the village. These are the factors which are chiefly taken into consideration in transactions by private negotiation. The true value of land is never realized in cases of Government auction sale or sale by court-decree. Good lands do not generally come up for sale for arrears of land revenue and when they are put up the purchasers cannot be sure that they are free from other encumbrances and that the sale of the lands would be eventually confirmed in their names. In cases covered by court-decree the purchasers are generally decree-holders or their agents who take the lands just to satisfy the decree amounts which may be higher or lower than the real value of the lands sold. Partly out of respect for the feelings of the creditors and partly because proceedings regarding sales of lands by civil courts are interminable, villages are generally reluctant to purchase lands at court sales.

5. It is alleged that agricultural indebtedness is on the increase in the last five years. The attractions of the city seem to carry greater weight, more stress is laid on the educational advantages obtainable there. There is therefore a very decided tendency for the richer ryots to move into towns. This naturally leads to a neglect of cultivation and increases indebtedness. It is believed that the economic enquiries conducted at re-settlements give reliable estimates of agricultural indebtedness.

Most of the rural debts are due to professional money-lenders. The co-operative societies come next in importance and then the Government loans.

The rates of interest depend on the security offered. Government loans are given at 6½ per cent to 7½ per cent and co-operative loans at 9 per cent to 12 per cent. Professional money-lenders charge 18 to 24 per cent on jewels, 36 per cent on promissory notes, and 12 to 18 per cent on land security. Generally simple interest is charged. Civil courts are resorted to in the case of promissory notes and land mortgage cases and when jewels have been pledged they are sold in auction after due notice and the sale proceeds are credited towards the debt amount. If anything should still remain due, proceedings are taken against the debtor in a court of law. Co-operative loans are recovered in instalments or by means of arbitration where default is made in payment of loans. Of the purposes mentioned, (a), (b) and (c) are the most important. The bulk of debts originate in social occasions.

6. The small subsidiary industries prevailing in this district are rice milling, dairy farming, garden produce, handspinning, weaving and fishing. There is great scope for the further development of fishing, dairy farming and garden produce owing to the proximity of Madras. The fishermen are already taking advantage of the facilities offered by motor traffic. Greater use could be made of cold storage. It is said that the increase of duty on Japanese yarn has prejudicially affected the handspinning industry.

II.—Indigenous banking.

The Marwari is the most important money-lender in this district, the Nattukottai Chetti being comparatively rare. Alongside the Marwaris work the nidhis, the co-operative and other banks. The nidhis receive deposits of all kinds giving interest to the depositors at the rate of $5\frac{1}{2}$ per cent to $6\frac{1}{2}$ per cent according to the nature of the deposit. They also receive monthly investments in the shape of shares and when these have accumulated for a period of six or seven years they are paid to the shareholders with interest. From receipts of this kind the funds grant loans on the mortgage of jewels or houses or other landed property within the respective jurisdiction or on the paid-up share capital of each shareholder. The interest charged is 6 per cent to $7\frac{1}{2}$ per cent. Their business seems to be conducted on sound lines.

III.—Investment habit and attraction of capital.

Spare cash in the hands of agriculturists is usually expended in the purchase of lands or on jewellery or on marriage ceremonies. In some cases it is lent out to poorer ryots. There are some instances of capital being spent productively on oil engines, rice mills, etc., but few realize the advantages of using money earned for producing more money. The tendency to hoard is also prevalent in the cases of some such castes as Kaminavars and Reddis. In my opinion the most hopeful line of progress lies in the direction of educating the people not to waste money on extravagant ceremonies. The recent self-respect movement deserves Government encouragement.

(4)

Written evidence of H. S. SHIELD, Esq., I.C.S., Collector of Madras.

Questions 1 to 5. Madras is not an agricultural district.

Question 6. Rice milling is hardly a subsidiary industry. It is true that a large number of small power rice mills are found in South India. Owing to the mismanagement and ignorance of machinery I doubt whether they are usually profitable. Hand-milling affords occupation to women, one cannot call it an industry. Dairy farming and stock raising suffer owing to the reluctance to slaughter cattle for food. This cannot be altered, so long as bovines are regarded as holy. Further, it is rare that a farmer will grow fodder for his beasts. Any cereal crop, however poor, is regarded as preferable, and the animals get the straw and stubble and what they can pick up on the wastes. Madras is not generally a grazing country, climatic conditions are adverse. Handspinning can hardly be regarded as economically profitable, though politically advocated. Sugar has not been found to be a paying crop, hence sugar refining is not likely to succeed. Cotton ginning by hand is possible and is done, but cannot compete with machine ginning in bulk. And the farmer usually sells his "kuppas" to the middleman, as soon as they are formed, or earlier. The same is the case with groundnut, where, I believe, all the processes for dealing with the raw product are conducted outside India. The working up of raw products is a technical matter, in which the ordinary farmer is not likely to display the skill and knowledge required. Possibly he could get better prices by co-operative selling, but even this requires a more elaborate organization and more mutual trust than he would normally display. After all the middleman's profits (when he gets them) are the gains of his special skill and training, in India termed his caste.

II.—Indigenous banking.

I am not aware of the existence of bankers as distinct from money-lenders, the favourite form of transaction being advances against precious metal or against land with the ultimate hope of securing the property pledged, and profit into the bargain. The borrower again does not borrow money for economic uses, but for such display as he considers befits his dignity, and with the hope that he can evade repayment. The rate of interest is therefore higher than most trades—or even than Indian agriculture with its large returns in favourable seasons—can bear. The "safe" return is estimated at 12 to 18 per cent and average net return 10 per cent at least. A comparison of this with known "Bank rate" figures will show the claim of such lenders to be known as bankers. There can, therefore, be little facility afforded for financing agriculture, trade or industry. I have no personal knowledge of the details of the organization of money-lending firms. I presume that their business is conducted on sound lines, their continued existence and their profits vouch for that. I am not aware of any particular prejudice against their business. It is in fact a respectable one and they are largely resorted to. There is not much money in the hands of the principal money-lenders that does not find employment in their business. But a considerable amount of money lies idle in the hands of others (for possibly short periods, but the total must be great) owing to the absence of banks defined as "places where money is deposited when only occasionally required". There is a custom of hoarding actual cash: of which there is sufficient evidence, e.g., the sudden appearance of 1840 or 1835 coins fresh from the mint. It is unnecessary to mention the well known "hoarding" of gold and silver in the form of jewellery, which has gained India the title of "Sink" of the precious metals. But even the normal use of cash in place of cheques implies a great waste of money substance. There is already a branch of the Imperial Bank in most districts, and local money-lenders are not slow to avail themselves of its facilities. I do not know whether the local farmers have their banking accounts, but I believe they do not.

III.—Investment habit and attraction of capital.

The acquisitive instinct, most pronounced in the women, finds an outlet in a hard either of coin or bullion, but I doubt whether "savings" and "investment" is in accord with the genius either of the people or the country. The principal occupation, agriculture, is in most places purely a gamble with the climate. And any investment that will not produce the return that a gambler expects, commands little attention. I need only quote Government loans and certificates, the security for which no reasonable person doubts. To popularize such loans, etc., if more money is to be attracted, I can only suggest that they be replaced by premium bonds, and State lotteries. As regards cheques, they are generally regarded with suspicion, if not dislike. The only reason ever given to me for this was, that "Dealings with a bank are liable to be discovered by the Officers of the Income-tax Department!" Anyhow the payment of coin appeals to the desire for secrecy in such dealings, there is no record of the passage of the money to attract the notice either of the tax gatherer or of the needy relative. I presume that the abolition of the duty on cheques has benefited those who used them already, but I should doubt whether it has influenced those who did not, any more than the doubling of the duty has materially reduced the use of cheques in England. The payment of Government servants by cheque has everything to recommend it. Most of them already use banks, and as the salaries are known to all they have no call for secrecy. I should not recommend the use of vernacular scripts, as this would render the documents only useful locally. If an universal script such as the Roman is used the forms will be understood throughout India.

4. The investment habit is of slow growth. I have already given my view that the principal occupation, viz., agriculture is more or less of a gamble, and I certainly doubt whether good farming receives its reward from nature here as it does in a more temperate climate. In fact gambling is innate, the heroes of fable such as Yudhishtira and Nala were famous for their skill. The dreams of the poorest are all of "Buried treasure". And in a country where life is normally short and often uncertain, there must be increased desire to get rich quickly if at all and the ordinary "investment" yielding, say 4 per cent to 6 per cent, holds out no hope of this. I have, therefore suggested that this deeply ingrained spirit should be recognized and developed along lines compatible with modern civilization.

(5)

**Written evidence of M.R.Ry. Rao Bahadur T. BHAGAVANTAM
GUPTA Garu, B.A., B.L., Collector of Anantapur.**

Note on the banking needs of the Anantapur district.

The district is generally poor. But the agricultural population of the black cotton tracts in the north is comparatively better off than that of the red-soil tracts in the south.

2. Wet lands are valued at Rs. 300 to Rs. 800 an acre and dry lands at Rs. 100 to Rs. 200 if they are of black cotton soil and at Rs. 20 to Rs. 50 an acre if they are of red soil.

3. The only industrial crops worth mentioning are groundnut and cotton. There is also sugarcane cultivation but to a very limited extent.

4. Flocks of sheep are reared in the red-soil tracts. Ghee is prepared from the milk of cows and she-buffaloes. Handspinning is carried on to a limited extent in the cotton growing tracts. Coconut and other gardens are raised over small areas.

5. The Imperial Bank has its agencies at Tadpatri and Guntakal. There are a certain number of co-operative banks in the different parts of the district. There are no other banks or bankers. No hundis or other negotiable instruments are in circulation.

6. There are two cotton presses and some ginning factories and groundnut decorticators. Messrs. Volkart Brothers and Rally Brothers have their agencies in the district.

7. The transactions of the Imperial Bank do not extend to the ordinary agriculturist. Co-operative societies are not able to improve the scope of their operations for want of the necessary human material to work them and the inability of the borrowers to repay their loans on the appointed dates.

8. Agriculturists borrow moneys to purchase seed-grain and plough-cattle to pay up Government kists, to improve their lands, and to meet marriage and other domestic expenses. For short-term loans they resort to the more well-to-do ryots or obtain advances from merchants on the security of standing crops like groundnut. Seed-grain and grains required for domestic consumption are not infrequently borrowed to be repaid with interest in kind at the next harvest. For long-term loans the agriculturist looks to the money-lender and the takavi loans.

9. The rates of interest vary from 12 to 25 per cent per annum. Loans in kind carry heavy rates of interest and advances on the security of standing crops involve the obligation to sell them at rates previously agreed upon.

10. A correct estimate of the indebtedness of the rural population can be made by starting detailed enquiries in selected villages in each taluk. Intelligent village officers can also furnish approximately correct lists of the indebtedness of the ryot population of their respective villages.

11. Arrangements for the co-operative marketing of agricultural products are likely to be met with success in course of time when the advantages come to be realized.

12. Diary farming and cultivation of garden crops can be encouraged.

13. Land mortgage banks would relieve a great need. These would do away with the necessity for the Loans Acts and the imperfect work done under them by the Revenue Department. The ryots would also be enabled to pay up their kists more readily and punctually. One bank for each district with branches at taluk headquarters would be necessary. The banks may raise the funds by deposits and borrowings from central institutions. Government guarantee would infuse confidence. A rate of 7½ per cent per annum is likely to attract deposits from local investors while a rate of 9 per cent per annum would be a welcome relief to the borrower. The formation of such banks is sure to promote thrift and the investing habit and to bring about improved methods of agriculture.

(6)

Written evidence of C. F. BRACKENBURY, Esq., I.C.S., Collector of Chittoor.

1.—Agricultural credit and credit facilities for small industries.

1. (a) For expenses during cultivation the ryots generally borrow from rich landlords and money-lenders at exorbitant rates of interest; very rarely from co-operative societies.

(b) For these purposes the ryots obtain loans under the Agriculturists' and Land Improvement Loans Acts.

(c) Borrow from the landlords.

The rates of interest charged by the money-lender generally vary from 9 to 24 per cent. Loans for a short period, say for six months, are taken for agricultural purposes and long-term loans for about three years are taken for the purchase of bulls, reclamation of land, etc. For short loans standing crops are the security, and for long-term loans the land is invariably security. Houses are rarely accepted as mortgages and much less personal security.

In regard to agricultural finance, Government have been willing to give agricultural and land improvement loans at favourable rates of interest and such loans are freely taken in Government tracts. Little advantage is taken of the several banking institutions. Though co-operative societies are playing an important part in the life of the rural citizen, the ryots have not yet well understood the principles of co-operation. It is only the professional money-lenders that play a large part in securing agricultural finance for the ryots.

About two crores of rupees may be required for the Chittoor district.

The present system of money-lending eats into the very vitals of the agricultural population. The agriculturist is made to pay what he cannot pay in seasons of drought and famine with the result he is driven to abject poverty. What is required is easy access to money, cheap rate of interest, long-term loans, and the establishment of banking facilities which will create opportunities for the promotion of agricultural and industrial interests.

2. The ryot sells what little he can spare after consumption to the sowcar who market it in mundis.

The ryot is too individualistic for this. No facilities are required in this district as the ryot lives on the margin of subsistence.

Facilities—very little; most economists of standing having decided that the trade aspect is the same.

In general, the need for forming co-operative societies for distribution of agricultural produce is urgent. Co-operative production and co-operative distribution are the chief economic instruments that can solve India's agricultural problems and it is the co-operative department that has to do propagandic work.

3. (a), (b) and (c). Lands are distinguished in this district as wet or dry and not by crops. Value of land in all cases will vary between Rs. 50 to Rs. 200 per acre for dry lands and Rs. 300 to Rs. 1,000 per acre for wet lands. Value of wet lands depends on the irrigation facilities and fertility of the soil, and of dry lands on the proximity to the village.

4. There are no legal impediments to mortgage of lands. No such banks exist. Government should start a land mortgage bank, raise money on irredeemable stock and lend on easy instalment repayment system.

Working capital (a), (b) and (c).—As the bank should be a Government bank, these questions do not arise. A right should be given to sell the land for failure of instalments payments.

No suggestions.

5. *In what manner can such an estimate be obtained.*—By a proclamation that Government propose to take up all such debts if found feasible and recover through a Government land mortgage bank.

Debts are invariably incurred in connexion with agricultural operations such as purchase of seeds, manure, agricultural implements, etc. The creditors are generally money-lenders. The interest charged is exorbitant from 12 per cent to 24 per cent. In course of time, the ryots get heavily indebted and their lands pass into the hands of the creditors by Court sale.

6. Rice milling, garden produce, sugar-refiners and groundnut milling, are small subsidiary industries found here. The bringing together of small capitalists and infusing into them co-operation and business habits will go further in helping the industry than giving State aid.

Establishing tailoring, hand-spinning and weaving factories will afford employment to the agriculturists in the non-cultivating season. The machinery to work it should be a co-operative institution with co-operative credit.

II.—Indigenous banking.

No interference with the indigenous banking system is likely to be attended with any success. If any banking system is to be established by Government it must be prepared to compete successfully with the indigenous system.

III.—Investment habit and attraction of capital.

1. Banks, Nidhis, Sowcars.

Two crores for this district.

Banks, Nidhis, Sowcars.

Though there are facilities such as the postal savings banks, the co-operative banks and indigenous banks for investment of their savings, the ryots in the rural parts do not appreciate such facilities. The savings made by the rural agriculturist are either converted into unproductive wealth such as jewels or lent to fellow agriculturists on interest. The people in the rural parts are ignorant of banking principles. They should be made to understand the inestimable benefits of investment in banks, by issue of vernacular leaflets on the subject and by propaganda lectures by the co-operative officials. It is after all a matter of education.

2. Postal cash certificates are not popular in this district.

The present rate of interest is too low to be attractive. They are also not sufficiently accessible. They might be more popular if they were obtainable at district and sub-treasuries as well as post offices.

It is only the educated lower middle class that invest in such savings banks. There should be a separate branch from the regular post office work, so that it may be within the easy reach of the public. At present the method of investment and withdrawal is somewhat cumbersome and thus fails to attract the uneducated classes.

3. (Last paragraph)—Farmers lend to fellow agriculturists on condition that the loan is repaid with interest at the next good harvest. They rarely invest surplus money in a prosperous year but allow it to be idle or waste it on litigation.

4. The cheque-habit has been very slow in gaining popularity with the non-official population partly because of the misuses it can be put to, and partly because it is in a language which the average Indian cannot understand without the aid of another.

Lois of Revenue.—It is only big officials and local boards and municipalities that use cheques. The payment of Government servants by cheques who draw less than Rs. 300 is not recommended as it would cause them only worry and annoyance in cashing the same.

The use of vernacular scripts in banking must have a good effect in popularizing the cheque-habit.

5. The growth of the banking and investment habit is undoubtedly very slow. Firstly because the ryot population, viz., the vast majority, lives from hand to mouth and does not save. Secondly, lack of education prevents the merchant class from trusting others and they prefer to convert their money into jewels to investing it in a bank.

As to educating the people of the country to invest their savings in productive undertakings I do not think that direct propaganda by Government would serve any useful purpose. On the other hand generous Government subsidies might be offered to any institutions established for the purpose of teaching modern business methods to Indians and especially to the rising generation of those classes of the community who are generally engaged in business. Special encouragement might be given in the way of scholarships for Indians to study the theory and practice of modern banking.

(7)

Written evidence of G. T. H. BRACKEN, Esq., I.C.S., Collector of Vizagapatam.

I submit herewith the following reports of some experienced officers of this district.

Vizagapatam must on the whole be classed as a backward and poor district at least in comparison with the rich delta districts further south. As the people are less advanced, they are on the whole more deeply in the hands of the money-lender. The rate of interest is rarely as low as 8 per cent and not infrequently as high as 24 per cent. In the case of loans made at the time of cultivation and recovered in kind at harvest, the rate of interest works out even higher. In the 'agency' the rates are appreciably higher as the hill-tribes are even less educated and so simple as to fall a ready prey to the unscrupulous. Rates of interest may work out as high as 50 per cent for cash loans and 100 per cent for loans recoverable in grain.

The high rates of interest may be attributed to the imprudence and want of foresight of the borrowers. Even when solvent they cannot look far enough ahead to make provision for financial assistance sufficiently far ahead to obtain it at a reasonable rate of interest from some form of banking institution. They live from hand to mouth and make no provision for repayment of their loans or even the interest on them. That is why loans from the State at a reasonable rate of interest are not popular because the State insists on punctual repayment of its dues, while the money-lender is only too willing to allow interest to accumulate until the borrower is entirely in his power and he can foreclose the security at a profitable rate. For the same reason borrowers are reluctant to approach banks for loans, their reluctance to be tied down to a definite date and a definite sum. They live from day to day and fritter away the money they get at harvest time when the harvest is good while when the harvest is bad they have little reserve to fall back on except occasionally in the form of jewellery. The thriftless and improvident mental outlook of the average ryot is one of the chief obstacles to the extension of modern banking, even in the form of co-operative societies.

Forced sales of land whether for land revenue or under court decrees rarely fetch adequate prices in comparison with private sales, because an auction purchaser is faced with the necessity of making a cash payment on a fixed date which he cannot escape. Another reason for the comparatively slow advance of legitimate banking is the low standard of commercial mortality among many borrowers. Far too many borrowers after obtaining a loan are concerned chiefly with shifts to avoid repayment or at least put it off as long as possible rather than with devising means of paying off their indebtedness. So banks must insist in a higher margin of security than could be necessary in other countries.

The same reason may be assigned for the high rates of interest charged by money-lenders. It is a form of insurance against the dishonesty of their clients.

Another point is that the agricultural class as a whole have not the saving habit and if they do save the savings are locked up in unproductive material such as jewellery. It should however be mentioned that this form of saving is better than nothing, for jewellery especially in the form of gold enables the owner to raise money at a reasonable rate of interest. The Imperial Bank does a considerable business in this form of loan.

The spread of the saving and banking habit can only be slow and is dependent to a considerable extent on the spread of education. Until the agricultural population who form 90 per cent of the population acquire a new mental outlook, they are not likely to change their habits. Co-operative societies are the form of banking in which most advance may be expected and the facilities they offer are sufficient for the reasonable requirements of the ryots. Until he will take advantage of the facilities for financing

his business already offered, it seems doubtful if it is advisable to offer any new kind of facility. Any attempt to force the pace may prove disastrous to credit, for the ryot is so suspicious that the failure of a single banking institution will make him shut up like an oyster and put back the clock.

ENCLOSURES

(i)

Arzi D. Dis. No. 1531, dated 3rd December 1929, from the Tahsildar, Palakonda.

Agricultural credit and credit facilities for small industries.

The system of granting State loans to landholders and tenants at present in force, is helping them in getting necessary funds for capital and permanent improvements of land, for the purchase of cattle and seedlings and agricultural machinery such as carts, etc. The rate of interest charged on such loans is 6½ per cent. There are, however, several items of expenditure which are generally incurred by persons of the above classes which are indispensable. For these purposes, the average landholder or agriculturist has to go to the professional money-lender for the necessary finance. I may be permitted to quote here a few of such items, such as marriages, payment of Government kists, building houses and dairy farming. The agriculturists can get loans from the co-operative societies also for these purposes, where the rate of interest is 9 per cent but the scope of these societies is very limited and does not therefore solve the problem of indebtedness of the agriculturists. I do not mean to say, that these societies, as they exist at present, are not doing any useful work. They help to a certain extent the ryots and others within their fold. The societies are now confined to a small number of villages. Steps must therefore be taken to start banks on the lines of the co-operative society with its scope extended and distributed all over the country so that each village may have one to minister to the wants of its inhabitants. They also borrow money from the sowcar or money-lender who finances the cultivator for sowing, harvesting and marketing. He lends money on goods, on house property, on jewels or any other reasonable security. His rates are high, because money is dear and he has no competitors in the locality. He generally charges interest at the rate of 12 to 24 per cent. There is also prevalent in this taluk, the 'Nagu' system. Under this system, the sowcar who stores important food grains such as paddy advances money to poor ryots for their sustenance three or four months before the harvest time and collects in return, after the harvest, at the rate of 1½ putties for each putti of paddy advanced. By having to pay such an usurious rate of interest, the borrower is sure to involve himself in irreparable indebtedness and lose his land ultimately. It appears to be high time that some legislation should be enacted to put a limit on the rates of interest demanded by the money-lenders.

2. Marketing.—The exporter makes an advance to the cultivator to the extent of 50 per cent of the estimate value of the crop with or without interest. Some exporters bind the cultivator to sell at a fixed price. In other cases, the financial relations of the cultivator bind him down to dealings with the same exporter. The price is either predetermined without reference to conditions in the foreign market, or the crops have to be warehoused and sold to the exporter as soon as they are harvested at the prevailing market price. The exporter rails the goods and takes about 75 per cent advance from a bank on hypothecating the railway receipt. The bank has the custody of the goods till shipment is made when it reimburses itself against the credit opened by the importer. In some other cases, such as paddy, etc., the cultivator is financed by the co-operative society or the local agent of any mill. The mill-owner either purchases the grain outright or mills it on commission. Here also the bank monies become available only on railing the goods to the market or to the mills.

There are great possibilities in co-operative efforts in marketing. Both in production in any compact area or growing a particular crop, societies can spring up. They can be made responsible for advances to the cultivators and collection of produce for sale. The marketing will then have to be undertaken by the central co-operative bank for the whole area.

The financing of products during the stage of transit from the village to the market centre is at present very defective. The present credit is either that of the cultivator or that of the small local merchant who both can ill afford to give it. The result in marketing of produce is, therefore, hurried through in order to get cash down. In market centres where the goods are warehoused till they move to the ports or consuming centres, the funds of banks would be available, but the absence of any licensed warehouse is a handicap to the banks as they have to exercise a careful watch. What is required is the advance of fair percentage of price to the cultivator on the security of his produce which may be kept in the custody of the wholesale distributor until the market is favourable. If further, a system of warehouses is introduced, it will be possible to raise money for the middle men or merchants on the hypothecation of these receipts, as, at present the cultivator and the village merchant get practically no credit worth mentioning. The result is that, most of the agriculturists have to part with their goods for any price they may bring, owing to stringency of money and existence of no bank to help them. Measures may therefore be adopted for the opening of the agricultural banks in villages and one of the purposes of the bank must be to advance loans on the security of their produce.

As regards financing, the condition of foreign trade is much better than that of internal trade. The exporters are themselves big capitalists and are supported by exchange banks with their branches at the ports. But internal trade is financed entirely by small capitalists supported by Indian joint stock banks and indigenous bankers. The merchant engaged in internal trade has nothing like the organization of the exporter. Consequently, the inland trade passes through many hands in the course of a short time. Credit is hardly available for the movement of produce from the village to the nearest marketing centre owing to the lack of banking facilities, similarly, in distribution owing to the absence of bankers in small villages goods cannot be railled for delivery on payment. Establishment of warehouses along the railway line and other village centres will greatly help the movement of produce in inland trade.

3. The value of lands in this taluk is as follows:--

Dry lands where groundnut, ragi, etc., is grown ranges between Rs. 50 and Rs. 150 per acre. Garden lands where tobacco, chillies, etc., are grown are sold at about Rs. 250 per acre. Single crop wet lands in the non-project area are sold at Rs. 250 to Rs. 400 per acre, while in the project area they are sold at Rs. 350 to Rs. 600 per acre. Double crop (registered) wet lands are sold at Rs. 81,000 to Rs. 1,500 per acre. These are the rates current for sale by private negotiations. When these lands are sold in Government auction for non-payment of revenue, they are purchased at about the same rates. But when they are sold in execution proceedings of a civil court decree, they generally do not fetch more than about 50 per cent of this amount, as the ryots have an inherent prejudice against sales by civil courts.

4. There are no land mortgage banks in this taluk. So far as I know, there is no legal impediment to mortgage of land and agricultural holdings in this taluk. I am of opinion that the general indebtedness of the ryot can be removed to a great extent if facilities are given for the advance of long-term loans at 6 per cent by agricultural and land mortgage banks on the security of agricultural lands.

6. There are no industries on a large scale in this taluk.

Indigenous banking.—So far as this taluk is concerned the sowcar takes the place of the indigenous banker. He advances small sums on the crops on condition that all the produce is sold to him directly it is harvested. The cultivator can hardly expect to get the best price under these circumstances. He lends on gold, land, buildings, goods, and personal security. The interest accruing for the period of loan, which is generally short, is deducted in advance and the penalty clauses are somewhat harsh and usurious. These sowcars have great solidarity among themselves by being of the same community. A great deal of inter-borrowing and inter-lending goes on from day to day. The rates of interest are not directly influenced by the Imperial Bank rate because the supply of loanable capital is still deficient. The agricultural community has to pay between 12 and 24 per cent for short terms. No amount of organisation can bring down the rates unless supply of loanable

capital is increased substantially. There is absolutely no prejudice against these bankers. In fact, they form an inseparable and necessary entity in the money market. Their dealing with public have therefore to be regulated as in the case of joint-stock companies.

Investment habit.—The people of this taluk are mostly illiterate as they belong to agricultural classes. They do not therefore invest money in productive undertakings which they generally regard as concerns with a doubtful return. Almost all their savings are invested in gold and on land and when they require capital for agricultural purposes they borrow money by pledging jewels or by mortgaging lands. Unless a sense of security is created by a rigid working of the rules under the Companies Act and a wide propaganda is made in the villages, investments in productive concerns cannot be expected in the near future. The co-operative banks may usefully undertake the purchase and sale of shares and stocks with a view to educate the agricultural classes in rural areas through their branches and create in them a sense of security in the investment in productive undertaking.

The above are my remarks on some of the important points raised in the questionnaire and on those which have a bearing on the land revenue administration.

(ii)

Arzi D. Dis. No. 857, dated 10th December 1929, from the
Tahsildar, Vizagapatam.

1.—Agricultural credit and credit facilities for small industries.

1. The village sowcar who is the basic unit in the ultimate analysis of the trade structure may be regarded as the principal if not sole financier of agriculture and the ryots' social needs. Resident in the village and in constant touch with the ryot and his position he is best able to accommodate the ryot during all seasons.

The rate of interest is nowhere lower than 12 per cent per annum and if the interest is to be in kind as it very generally is, the rate will work up to 36 per cent. This the ryot accepts, as, otherwise, he cannot keep his shop going which alone is his solace. The produce merchant's advances do not go directly to the ryot as the city merchant has many difficulties to recover his dues. He employs therefore the village sowcar or some more responsible broker through whom he finances the ryot. Here the rate of interest is sometimes omitted, as a condition of the advance is a sale to the merchant at a price fixed at a time most opportune for the merchant. Messrs. Parry & Co. tried the experiment of financing the sugarcane crop in the Anakapalle taluk directly with the growers of the cane. If there was something amiss here and there it was due to the personnel and not to the system. Parry's system, tempered with the co-operative principles, would be ideal for rural financing. The Imperial Bank has no place in agricultural financing directly. In the first place rural financing is not even in the fringe of their policy. The report about the bank's financing jute, groundnut and other commercial crops mean that suppliers of these commodities and dubashes are financed, the producer being out of question. The co-operative society, though one of the most beneficent institutions has not touched even a part of rural credit. The ryots' needs being seasonal the elaborate procedure involved in getting a loan from a rural society on reasonable terms makes the ryot prefer the good offices of his sowcar where he is welcomed though for sinister reasons and his loans granted as easily as a Bank of England cheque is cashed. Lastly Government finance under two heads 'Land improvement loans and takkavi loans'. The procedure prescribed in the case of the Government loans involves unavoidable delay though not to such a large extent as noticed by some adverse critics of Government measures. With a close association of the co-operative institutions as the executive branch of the Government Loans department, better results can be anticipated.

For forming an estimate of the total amount of capital required, statistics have to be obtained from registration offices, co-operative societies, and the more communicative and less conservative among bankers. A start in this

line may be made by devising suitable means to collect these data at the ensuing census of 1931 just as certain items of information are collected for the use of municipal towns. Nine-tenths of the district being *samindari*, it is not possible to obtain workable data on the subject. Rural societies are now grouping themselves around district banks which are forming themselves into federations with the Central Urban Bank at Madras as the apex. How and in what manner, further co-ordination would be possible when the central land mortgage bank with Government guarantee is in working order remains to be seen.

2. We shall start from the fields and trace the progress of the produce till it reaches the place where it is wanted. Some commodities have to be collected in small parcels from village to village and assembled in a central place from where communications with the markets exist. Here the middleman or broker's agent comes in. The produce changes hands either for cash or on deferred payments system. The only documents employed are letters. From there, the middleman takes it to the nearest railway station and rails it to a port where the shippers who employ him or with whom he has business take delivery of the produce. When the consignment is passed and bills are paid money goes back to the village through the same channels. Money is raised on railway receipts and the credit of banks is utilized by shipper's dealers on the railway receipts and utilized for advancing for further consignments. There are *baratams* corresponding to *hundis* in this district. There is not much of *hundi* business as is obtained in the south. I believe that, unless the principle of circulating credit in preference to cash in all stages of commercial life is adopted by such means as State backing up, amendments to the Negotiable Instruments Act may not go far in improving the situation. The pooling and co-operative marketing principle, if adopted on the right lines will, at no distant future, be the agriculturist's salvation. The unit of area for this system may gradually be a taluk. The taluk co-operative store will sell its member's produce in the best market and also supply him with the needs of his family and agriculture, so that the ryot relieved of his anxiety to market his produce or buy his daily needs can devote all his time on his farm. The taluk society will be both a credit and non-credit society. In its credit department, the society through its group and its village societies finances the ryot in time having as security the crop standing on the ground to be warehoused at the taluk godowns and sold on the ryots' account at the current price, all profits less of-course management expenses owing to the member. A stipulation in the by-laws that no such society shall pay a dividend of more than 6 per cent will prevent exploitation at the producer's cost. The taluk godowns and those built at larger villages may be treated as the licensed godowns in America.

3. The price of lands varies to some extent with their tenure. *Inam* lands cost most. Next come *jirayati* lands in ryotwari villages and last come ryoti lands in private estate, the burden of assessment being heaviest on the last class of lands. Taking all elements into consideration, the price of land may safely be put down at 15 to 35 years' purchase.

Sale of land by private negotiation is always the best from the seller's point of view. Prices of sales in execution of court decrees are always artificially kept down as far as possible under the following circumstances:—The sale frequently is held at the court-house where the value of the land is not known well except to the decree-holder bringing the land to sale. In court's sales, lands are very often sold subject to mortgages, the decree-holder being one of the mortgagees. He has an advantage over other bidders in that he will not be required to deposit, on account of his bid, more than the excess over the decree debt. Lands brought to sale on account of arrears of land revenue or estate rent are frequently of inferior quality. They do not therefore fetch a high price. The price is also put down by the influence of the local village officials and neighbouring landowners who try to have the lands sold away just for the outstanding dues thereon.

4. No, No.

I am in favour of the lines in which the proposed Madras Land Mortgage Bank is run being given sufficient trial before other forms of banks are thought of. As things stand at present, deposits should be the last source of finance to the bank; for it is only the rich and enthusiastic co-operator that would put in his money. It is only people who, for reasons of sound

finance, are satisfied with a steady though small return that see their way to deposit in the bank and their number is not very large. Everybody with a little spare cash instead of putting in bank and in realizing national finance wishes to make it go a long way by lending it himself. At least for some time to come, i.e., until banks can stand on their own legs, it is desirable that debenture bonds should carry Government guarantee both for principal and interest. The position of Government in the credit world is sufficient guarantee for minimising financial risks. The ordinary provisions of law for the recovery of civil liabilities and the summary provisions of the Revenue Recovery and Rent Recovery Acts are ample provisions against losses to Government. Moneys that may fall due to Government under this banking system may be made recoverable as if they were Government revenue.

5. Just now, rural reconstruction societies started with the co-operation of the Registrar-General of Panchayats and the Godavari Economic Committee are doing good work on these lines. They have better chances of collecting accurate information contemplated by this question. I learn that Sir A. P. Patro has gathered figures of the economic condition of people in two or three individual villages in the Ganjam district. I know of no such workers in this district.

6. Rice milling as a home industry is practically being replaced by the mill-industry. Even in small villages mills are established and householders resort to them for milling domestic requirements on job-work lines. Gur making is not carried on as a subsidiary industry but only as a necessary adjunct to sugarcane growing. The class corresponding to the Khandasaris of Northern India and sugar-makers in Ganjam is unknown here. Even tapping palm trees for sweet toddy for jaggery does not exist here on a commercial scale as it does in Tinnevely and at Nidadavole, though millions of palm and date trees are available for tapping. Trained tappers may be imported and this industry developed both on the cottage and industrial scales. Now, palm jaggery is manufactured only for medicinal and chewing purposes.

Dairy farming on scientific lines does not exist though many of the ryots maintain at least one milch cow or buffalo whose produce supplements the family income. This may be organized in groups of villages supplying neighbouring towns with milk and by-products on the Irish and Danish lines, i.e., co-operative milk producing and marketing societies in the beginning and not dairies on modern lines which are worked mostly for butter.

I understand by garden produce market gardening. Though every farmer grows a few vegetables, they are neither on a field scale nor based on any principles of rotation. It is only in the Anakapalle taluk and in some villages in the Vizagapatnam taluk like Yarada, Allipuram and Dondaparthi, that the Gavara has developed market gardening. This deserves to be organized and developed on an extensive scale and here is a field of profitable occupation for the educated unemployed, the question of suitable land being solved by Government in co-operation with zamindars. Cotton is not a staple crop in this district, and gineries are only hand gins.

There are no sugar refineries in this district though the Rayaghada valley and the Sarada valley offer excellent facilities for this industry. I am told that the Araku valley may also be a useful addition. The report of the special sugarcane investigation officer appointed for the Agency may throw additional light on the subject. Except in Pouduru and neighbouring villages and at Kailasapatnam in the Golugonda taluk hand-spinning is not carried on on a remunerative scale. Short references regarding methods of improvements have already been made in the above paragraphs. Silk rearing and lac production may be mentioned among the enterprises that may be started for giving employments to the farmer during his off-season. Co-operative capital may be made to supply the finances for this enterprise. Money is lying idle in small quantities and when pooled for financing known local industries it would be the best method.

6. (a) The fishing industry of the district deserves organization and development in view of the large and extensive hinterland that would be opened on the completion of the Rajpur and Jeypore lines. At present, dried salt fish are sent as far as Kalahandi and if the preservation is on the right lines larger markets can be created. Fishermen may be taught

to convert surplus fish into oil, rotten fish into manure and such other by industries associated with fishing. The experiment of oyster beds may be tried and the nearness of the Calcutta and Madras markets may be taken advantage of. Preparation of nets being almost an instinct to local fishermen may be improved and the children in fishermen schools more advantageously taught the preparation of tennis and badminton nets, bazaar and ladies' net bags, hammocks and zholes than subjects which are of no practical use to them in their every-day after-life.

Handloom weaving may be placed on more substantial lines by replacing the present handloom by the fly-shuttle loom and establishing central warping mills so that the larger portion of the time now spent by the weaver and his family for preparing yarn for the loom may be used in actual weaving and his income thus increased.

Reply to question 6 above may apply to each of these industries dealt with in question 6 (a).

7. Indigenous banker looks with suspicion on all co-operative movements though their growth does not appear to have affected him to any appreciable extent. No indigenous banker had so far to close his business because of competition with co-operative banks. The Imperial Bank is not rendering all that financial assistance to co-operative banks which a State-aided bank is expected to do.

There are no joint-stock companies in this district. I am in favour of the experiment being tried.

II.- Indigenous banking.

1. There are more money-lenders than bankers and they lend money on D.P. notes, mortgages, pledges and security of crops. Some of the bigger money-lenders especially in towns deal in gold and silver bullion.

2. So far, the indigenous banker is the only friend of the farmer. He is handy and he accommodates customers in all seasons.

3. We have no indigenous banks in this district.

4. Receiving deposits in the ordinary banking system does not exist except in one case, viz., Baughmull Saliucar of Visagapatnam. The others borrow money at lower rates of interest to augment their capital and so these cannot be treated as deposits. There are no credit instruments in circulation in the district except the baratam which generally is in a letter form. The material portion of a baratam is worded thus:--

దూచిన తక్షణం దూపాయిలు పెట్టించి మా ఖాతాను ఖర్చు వ్రాయింకలెను.

Translated into English it runs thus:—"Please pay to Ra. on demand and debit to our account."

5. Baughmull allows 4 per cent interest on deposits made by constituents. It won't pay him to allow a higher rate of interest on deposits as he advances loans to special and reliable borrowers from him at 9 per cent per annum.

6. Please see answer to similar question under Part I. Cheaper credit with the least encumbrance of procedure rendered in time would certainly make the ryot a more self-respecting man. Such credit could be secured to him only by the co-operative movement.

7. The people have no prejudice for the indigenous bankers, although their transactions with the borrowers are scrutinized in courts with suspicion and jealousy. These bankers are sufficiently protected in law. A banker is always allowed his stipulated terms so far as they do not contravene express provisions of law or principles of equity and good conscience.

The borrower is not yet in a position to dictate terms to his banker. The latter has therefore opportunities to gain advantage over his borrower, while appearing to be obliging. This disadvantage for the borrower is more prominently seen in the Agency than in the plains portion of the district. In the Agency, sufficient remedies are started by the enactment of the Agency Interest and Land Alienation Act of 1917. The proposed Usury Act for the plains may provide the same safeguard for this portion of the country.

8. Money-lending and borrowing being transactions actuated purely by personal motives and interest, no steps would be possible to give larger facilities for one class over the other except by increasing the supply of cheap credit and thus compelling the money-lender to behave more reasonably towards the borrower for fear of losing his custom. Any legal enactment abridging the money-lender's facilities to lord over the borrower will naturally not be palatable to him and he may view it as an interference with personal rights.

9. In spite of the undue advantages available under the existing conditions to the indigenous banker the returns to him by way of interest are not much larger than the dividends paid by the joint-stock banks.

10. No such banks.

11. Well organized joint-stock indigenous bank may be given the same facilities as the Imperial Bank which may not be given preferential treatment; for, special treatment given to one sort of bank over the others connotes in the eyes of laymen special status and security and depositors flock to it, though people that know banking methods treat well conducted joint-stock banks with the same respect that they show to the Imperial Bank.

Yes. In granting credit local branches with local directorates would be more wary in their transactions and thus inspire confidence.

Experience of actual working when started will show how competition of such a bank with indigenous banks could be avoided.

12. No. Owners of large amounts of money never find difficulty in finding borrowers. On the other hand there is scope for more capital if it flows into the district to finance agriculture.

No.

III.—Investment habit and attraction of capital.

Penny savings banks run by educational institutions would stimulate in the young mind a desire to save what otherwise would go to the cigarette and chocolate shops and other odds and ends of children's luxuries. The home savings bank system prevalent in Europe and adopted by the Central Bank of India is another means of encouraging thrift. Compulsory insurance of all wage earners is also a potential means of encouraging thrift.

The Imperial Bank with its two branches at Vizagapatam and Vizianagaram, co-operative societies and indigenous bankers are all the existing banking resources in the taluk. The post office savings banks is so far the most popular and widespread institution for encouraging savings and investment habit. The Government provident fund and provident funds managed by local bodies and railway companies also go a long way in encouraging and enforcing thrift. Life assurance companies may also be said to be institutions encouraging thrift, for, if the assured lives sufficiently long, he will himself reap and enjoy the benefits of his prudence. The benefits of war bonds as instruments for encouraging thrift are not quite well appreciated by country men. The traditional Indian habit of investing large amounts on gold and silver ornaments still continues though there are tendencies among educated men and women to lessen this tendency.

2. Postal cash certificates are not well resorted to. They pay an interest which works up to only about 6 per cent which is not very attractive. Except in the case of remote villages the savings bank has proved a very useful institution for small savings despite the fact that it pays a low rate of interest. This is accounted for by facilities offered both for the deposits and withdrawals. The system of withdrawal by cheque as adopted by some of the joint-stock bankers in the case of their savings bank deposits will be an improvement on the Government system and would popularize it. All professional people, Government and private employees and to a certain extent students resort to the savings bank. The offer of a higher rate of interest and also the withdrawal of a maximum rule for deposits may attract big merchants to make short-time deposits.

3. The existing facilities for the purchase of Government securities are quite enough. I would encourage the ryot to join his resources with the co-operative movement. The safest form of investment in a ryot's view is the purchase of land in his vicinity. There are no financial agencies to give facilities for the purchase of securities other than Government's. The tendency among persons getting larger incomes is to invest their surplus in gold or in the purchase of immovable properties. In this connexion it may be mentioned that the restrictions placed upon public servants investing their moneys in real property give rise to many benami transactions which frequently result in disappointment and trouble after the real purchaser becomes free from these restrictions.

A farmer does not frequently lend except on the security of land with a possibility of foreclosing the mortgage. When there is this possibility, he would even lend money merely for the annual yield of the land.

4. The opening of current accounts has become more popular. This is widely known only in towns. The Imperial Bank is so far the only bank that does not allow interest on current deposits. The abolition of stamp duty on cheques has withdrawn a penalty on investors withdrawing their own moneys. The State-aided Imperial Bank will be affording better facilities for current deposits and, with it, the cheque system if it offered interest upon them.

Under the social and economical conditions prevalent in the district I am not in favour of adopting a system of paying Government servants by cheques. The Indian Bank at Madras has with advantage adopted the use of vernacular scripts in banking.

5. Yes. The habits of living among Indians is the sole cause of it. Propaganda by Government in regard to Government loans for capital expenditure may be a wise method for educating the people of the country to invest their savings in productive undertakings. The *pracharakas* of the new temperance boards and the workers trained by co-operative institutions would be valuable parts of the machinery to be employed on propaganda work of this nature.

The opening of new branches of the Imperial Bank of India in recent years has facilitated trade to a large extent. This has had also a salutary effect of reducing the current rate of interest on gold loans raised for petty and short-term purposes.

(ii)

Copy of arzi R.C. No. 1079/29-F, dated 12th December 1929, from the Tahsildar, Vizianagram.

Agricultural credit and facilities for small industries.

Banking and rural indebtedness.—The agriculturist in this district gets his funds for all purposes generally from sowcars scattered in important villages at rates of interest varying from 12 to 24 per cent. The rate will be less when land is offered as security. In recent years, a few of the villagers are drawing from co-operative banks wherever such banks have come into existence. The sowcar advances money to the ryot at the interest above referred to and takes interest in the shape of grains during the harvest seasons. At the end of the year, there is what is called a 'nivada' or a settlement, and the ryot is made to understand the balance due to the sowcar. Further advance is made sometimes and it becomes a never-ceasing debt. Generally loans are given by sowcars on pro-notes. In some cases lands and jewels and houses are also given as security. Standing crops are not offered as security. The period stipulated is generally one year and the loan is repayable in most cases during the harvest seasons. The Imperial Bank assists large firms but is useless for agriculturists and for the removal of rural indebtedness. Co-operative banks are just coming into existence and, wherever facilities are offered, the ryots make use of the banks. As regards State aid I may mention that the district as a whole is zamindari harring a small extent. State aid is always given whenever applied for so far as agricultural purposes are concerned. In regard to loans for the improvement of lands I may mention that the estates are not maintaining the land records

and records of rights properly. The estate records are generally imperfect and it is not possible to say from the records who the actual enjoyer is or who the pattadar is. As far as possible loans are advanced by Government. The total capital required to relieve the rural indebtedness in the Vizagapatam district as a whole would on a fair estimate be about 50 lakhs of rupees. For the Vizianagram taluk a capital of about five lakhs will be required. For a long time to come the only way to relieve the rural indebtedness is to extend the rural co-operative banking system and to popularize it in a large measure. No other system is suitable to the country at present.

2. *Marketing produce.*—The main system is this: The merchants go to the villages and advance money to the ryots long before the produce is ripe for harvest. The ryots enter into a contract with the merchant to deliver the goods to him at the time of the harvest at a rate fixed locally called 'the Sahukara rate'. After the harvest, the goods are carted to the central market which in this district is largely Vizianagram. From this the produce is exported to the various parts of India. This is the marketing practice. In a few cases the ryot himself takes the goods to the market and sells them. During the harvest season the bank and the bankers assist the merchants by advancing loans. Hundis are restricted to big wholesale merchants and they do not play any part in the rural trade. The present practice of marketing goods is excellent and has no defects.

3. *Value of land.*—The value of an acre of wet land in this district may be put at Rs. 500 and of dry Rs. 100. I mention an average. There are wet lands costing Rs. 1,000 and more. The chief factors affecting the value of land are not peculiar to this district. They are facilities for irrigation, nearness of market and communications. There can never be an appreciable difference in value between lands sold in Government auction or in execution of court decrees or obtained by private negotiation.

4. There is no legal impediment to the mortgage of land and agricultural holdings. There are no land mortgage banks or long-term credit banks. Such banks are unnecessary to relieve the rural indebtedness. The country is essentially agricultural and by no means industrial. The rural co-operative banking system requires expansion.

5. I just had an enquiry in a village called Nadupur in this taluk. It may be called a typical zamindari village with an annual assessment of about Rs. 5,000. In this village there has been fair crop during the last five or six years. In the whole village there is a debt of about Rs. 28,000 raised from sowars and about Rs. 6,000 from the local rural bank. It is easy to obtain a fairly accurate figure from the village officers. The principal reason for the debt is payment of earlier debts incurred during the days of distress and for expenses of cultivation. In a few cases litigation has also been the cause of indebtedness among the ryots.

6. There are no industries worth mentioning. Rice-milling is getting slowly into villages. The country is not yet fit for large industrial developments and any attempt in that direction will be a waste. All efforts should be centralized towards the improvement of the agricultural resources of the country. The ryot is not idle at any part of the year to give him other occupation. During the little time when there is no crop on the land to require his attention he has to repair his house and cattle-sheds and has to secure manure for the lands. He repairs the bunds also.

6-A. There are small industries in almost every village. They are essentially weaving and metal work. These provide mostly for local requirements and the particular classes engaged in them take their goods to the market also.

II.—Indigenous banking.

There is no indigenous banking at all in this district of the kind specified in this section.

III.—Investment habit and attraction of capital.

The existing resources for investment are advances of loans on mortgage of lands and fixed deposits in banks. There is no difficulty to find suitable investments for savings. The ryots have no idea of investment in gold and silver. The postal cash certificates are popular only with salaried servants.

The postal savings banks are also only popular with salaried servants. The Post office system has no competition with any other system of banking. The ryots invest their savings by advances to other ryots and also accredited merchants. The idea of cheques and the Imperial Bank are not yet understood by the people at large as 95 per cent of them are illiterate. The only way of improving the rural conditions is to introduce more co-operative banks for villages or groups of villages. These will remove the tyranny of the sowcars. Above all the ryot will receive an education in banking. Such banks have been very popular. When the simple banking system is understood by the people they will themselves clamour for the improved banking systems contemplated. The country is agricultural. The people are illiterate. It is premature to think of productive undertakings or industrial developments. The local industries will no doubt continue to thrive if rural banks are opened and facilities afforded to these classes. Big banking concerns are unnecessary.

(iv)

Copy of arzi L. Dis. No. 3662/29-B2, dated 7th November 1929, from the Tahsildar, Sarvasiddhi.

Most of the questions relate to subjects which have no bearing on agricultural conditions in this taluk. I touch below only such matters as affect the routine of agricultural life in the taluk so far as I am aware.

2. Loans are raised for meeting cultivation expenses. The moneys are advanced by rich ryots as well as professional money-lenders. Cash loans are given at interest ranging from one rupee to two rupees per mensem per cent according to the varying stringency of the needs. In several cases, the money lenders enter into forward contracts for repayment in kind. When the harvest is gathered in, they go and collect their money's worth in kind on the threshing-floor. The interest when reduced to cash works up to nearly 30 or 40 per cent per annum. But the cultivating ryot prefers this mode of repayment as it seems to him to be more easy than shelling down cash which according to him is dearer than grain. In families having many adult members, a few remain at home attending to cultivation, while the others migrate to Rangoon and pay off these debts by the savings of their labour. Bad seasons have depressed them very much and consequently the ryots are rarely out of the clutches of the money-lender.

3. Ordinary ryots do not achieve much in the direction of improvement of land. The more well-to-do apply for takkavi loans not because they cannot afford the bill, but because Government advances moneys at a very low rate of interest, while their own capital fetches usurious rates elsewhere. I think it is time that takkavi loans are barred to the rich ryots.

4. It is not possible to estimate correctly or even approximately the amount of capital required. If loans are given freely, there is demand up to Rs. 10 or 15 thousand every year. But the security offered is often very shaky. Nor are the borrowers endowed with a high standard of public honesty. Prompt repayments are unknown and coercive measures have very frequently to be resorted to for realization of moneys advanced.

5. In a majority of cases the ryot borrows money from private agency on pro-notes or paddus. In a few cases he borrows on security of land also.

6. *Marketing*.—The individual ryot does not take his produce to market. The traders go to these people, purchase the stock and dispose of it in the markets. The ordinary ryot prefers this, as it will save him the worry of carting the produce to a distant place where he may after all be browbeaten or duped. But he posts himself with information regarding the trend of prices. The trading purchaser often gets rid of his stock even if he gets an excess of one or two annas per bag over his cost price, if he is wary. Speculators wait for a big deal and take chances with the fluctuations of the market.

The ryots never resort to banks. Hundis and such like are unknown.

7. *Value of land*.—Varies according as it is wet or dry, inam or jirayati. It also depends on distance from communications and efficiency of irrigation sources. The best wet lands (Government) sell at between Rs. 600 and

Rs. 1,000, i.e., lands under unfailing irrigation sources. Inams sell a little higher as the rate of assessment is more favourable. Dry lands average between Rs. 200 and Rs. 500 per acre. No sharp distinction can be made between private sale, revenue sale and court sale. Prices fetched depend on the amount of competition, nearness to previous holdings and quality of land.

8. *Land mortgage banks*.—There are none in the taluk. There used to be a Co-operative Agricultural Bank at Yellamanchili; but it did business only for a few years and then went into liquidation. Eager to borrow, the ryot is none so eager to repay. As I remarked already, the sense of public honesty possessed by the ryot is low. Hence for advances on mortgages mere statements and assertions often prove dangerous. Encumbrance certificates from the Sub-Registrars' offices are necessary for verification of the soundness of the security offered.

9. *Indebtedness of ryot*.—Unfortunately there has been a series of bad years since 1917. The monsoons have failed persistently. The ryots' usual burdens have increased. It is the curious irony of nature that the poor man breeds in a prolific manner while the well-to-do and the pampered is less productive. Increased family burdens, improvident expenses at marriages and funerals which are ordained by custom and therefore indispensable, bad harvests, increased cost of living have all contributed to the indebtedness of the ryot. The debts are incurred mainly for existence. Not a fraction has been utilized for purchasing improved agricultural implements or adopting up-to-date methods of agriculture. The ryot clings to the time honoured and antiquated methods of manuring the lands, the age-long devices for ploughing, etc. The exhausted and ill-recuperated soil has also deteriorated in its productive capacity. The more educated classes are not the land-owning classes and they look upon agricultural life as *infra dig*. The smaller ryots have in many cases succumbed under the weight of adverse circumstances described above, and have become labourers on farms which they or their parents once owned.

10. *Investment of accumulated cash*.—The rich may broadly be divided into two groups—(1) traders and (2) landowners. The former speculate and add to their wealth or founder. The second class continuously absorb smaller holders and become more and more extensive landholders. My own impression is that very few people among these classes go in for banks for investment of capital as they do not pay quite as much interest as they can get by the practice of usury.

On other points, I have not got any suggestions to give as I am myself not very well informed about them.

(v)

Copy of Arzi D. Dis. No. 2473/29-A-1, dated 9th November 1929, from the Tahsildar, Golugonda taluk, Narasapatam.

I.—Agricultural credit and credit facilities for small industries.

1. (a) There are professional money-lenders (mainly Komatis) in most of the important villages of this taluk. The average agriculturist obtains finance for the expenses of cultivation, for improvements of his lands and for other special needs by taking loans from the money-lenders at rather high rates of interest, varying from 12 to 24 per cent per annum. He repays the loans, generally in the shape of grain, after the harvest season. The loans are taken for the most part for one year on the security of the crops or the lands of the borrower. Sometimes, there is a stipulation to the effect that a fixed quantity of grain should be given away to the lender soon after the harvest season by way of liquidation of the debt, wholly or in part. This is advantageous to the lender as the money-value of the grain is fixed beforehand at a comparatively low rate.

(b) Government have been assisting the agriculturist materially by granting loans under the Land Improvement and Agriculturists Loans Acts. The rate of interest was recently reduced from $7\frac{1}{4}$ to $6\frac{1}{4}$ per cent per annum, and this reduction is likely to make the two Acts more popular. But the average ryot still prefers to seek the help of the professional money-lender as he is ready to finance him whenever necessity arises. Government loans are not

so popular as they should be as, unlike money-lenders, Government insist on the punctual payment of the loan instalments and attach and sell the borrower's property in case of default in the payment of even a single instalment.

(c) There are very few co-operative credit societies (ten, at present) in this taluk and they are not so popular as they should be owing to general ignorance as to the scope and utility of the co-operative credit movement.

2. The principal crops (paddy, ragi and tobacco) are sold to the merchants (mainly Komatis) by the ryots. The merchants transport the grains, etc., to the towns in this and the adjoining taluks (Narasapatam, Tuni, Anakapalli, etc.) and stock them in godowns for sale. The minor agricultural products are consumed in the villages themselves, or taken to the weekly shandies in the neighbourhood for sale. There are no banks in this taluk, and the co-operative movement is still in its infant stage to be of material help in marketing agricultural produce. There is scope for improvement in this direction. There is no trade with other provinces or with distant districts in the presidency, and the hundi system is not in vogue in this taluk.

3. The value of land varies from Rs. 100 to Rs. 300 per acre dry and from Rs. 400 and Rs. 1,000 per acre wet, according to the nature of the soil, the tenure of the land, the irrigation facilities available and the proximity to towns. The value of land sold in Government auction and in execution of Court decrees is generally less than that sold by private negotiation as valuable lands are perhaps seldom brought to sale otherwise than by private negotiation. Insufficient advertisement of the sales and combination among the interested parties also account for the low prices at auction sales.

4. There is no real legal impediment to mortgage of land and agricultural holdings. I may however invite attention to Rule XXI of the Revised Loans Rules according to which the objections, if any, of the proprietor have to be considered before granting a loan under the Loans Acts. There are no banks in this taluk. There is no clear necessity for an agricultural mortgage bank.

5. There is no record showing the existing indebtedness of the agricultural classes in the taluk. The records of the Registration department have to be consulted to form an estimate with reasonable accuracy. The rates of interest vary from 12 to 24 per cent per annum, as already stated above. Compound interest is also charged in several cases, and suits are filed for enforcing the payment of debts. In rare cases, the lands are taken possession of by the mortgagees on what is known as the 'Khandagutta' system according to which the debt will be extinguished automatically after a certain period. Generally speaking, it cannot be said that efficient farmers are being turned into tenants owing to the enforcement of old debts.

6. Hand-spinning which is practically the only subsidiary industry allied to agriculture is carried on to a small extent during the off-season and the yarn is sold to professional weavers in shandies. Agriculture is the main occupation of the people, and they are not likely at present to take up any enterprise of the kind suggested, owing to their conservative temperament.

III.—Investment habit and attraction of capital.

2. The ryot population invest their savings in the purchase of lands and also in gold and silver. Small investments take the shape of gold and silver ornaments as a rule. It is very rarely that cash is hoarded without any investment. The postal savings banks afford all facilities to the public, but it is only the educated middle classes that resort to such forms of investment. Post office cash certificates are not, as a rule, purchased by the rural population as the advantages are not understood by them. In course of time, with the advance of education, the savings banks and the cash certificates may become more popular.

3. Well-to-do agriculturists lend to their fellow-ryots on the ordinary terms and no special concession is allowed in regard to the rates of interest and terms of repayment. In a prosperous year, the surplus money is used for purchasing other lands, cattle, or gold and silver ornaments, or it is lent to other ryots in need of money.

(vi)

Copy of Arzi L. Dis. No. 402/29, dated 13th November 1929, from the Tahsildar, Viravilli taluk.

1.—Agricultural credit and credit facilities for small industries.

The agriculturists of this taluk who are in need of money for expenses during cultivation season for permanent improvement of their lands and for other special needs, generally obtain money by borrowing either from sowcars or other well-to-do pattadars in the village or from co-operative societies. Loans are also obtained from Government for improvement of their lands and for purchase of cattle, etc., at 7½ per cent per annum. But this is not often resorted to. The rates of interest charged by the sowcars and other pattadars vary from 12 to 18 per cent on the security of goods or crops on the land or on simple paddus according to urgency. Co-operative societies in big towns are helping the rural societies in villages in lending money at 9 per cent per annum on the security of persons and they are gradually spreading in important villages of the taluk. The help from co-operative societies has not yet reached to all the villages of the taluk. Loans are generally taken by ryots for a period of one year or less and it will be liquidated after the crop is harvested and sold in the market. If loan is given on the security of crops or on paddus a condition will also be inserted that the borrower should give without money interest, grain at 2 or 3 munikas per rupee in excess of the measures sold after harvest of the crop. The total amount of capital required for the various purposes during agricultural season for distribution to poor ryots, will be about rupees two thousand for each village and so the formation of co-operative credit societies at least in important villages is absolutely necessary in order to freely distribute to needy persons on their personal security in addition to the security of another resident of the village after ascertaining the solvency or otherwise of the borrower.

2. The principal crops of the taluk are being taken in country carts to Annakapalli where they are sold to merchants. Much difficulty is felt for want of metalled roads to reach the place. The ryots themselves in some cases and petty merchants in villages in other cases take the produce to important mercantile centres. Neither negotiable instruments nor bills nor hundis of any class exist in this part of the taluk. There is no direct foreign trade here. European agencies carry on foreign trade purchasing the commodities from the merchants who in their turn obtain them from the ryot population.

3. The value of wet land per acre under river channels is about Rs. 1,000 to Rs. 1,500 while that under tanks varies from Rs. 400 to Rs. 500. The value of the dry land varies from Rs. 200 to Rs. 400. The value of the land in Government auction for non-payment of revenue and in the event of sale by court decree will be lower than that of purchase by private negotiation generally. It depends more on the competition obtained at the time of sale.

4. There is no legal impediment to mortgage of land and agricultural is to be liquidated in ten or more instalments. There are no land mortgage with possession or usufructuary mortgage. In the latter case, the interest at half the principal amount is added to the principal and the whole amount is to be liquidated in ten or more instalments. There are no land mortgage banks or agricultural banks in this taluk. It is desirable that the record of ryots and title of ownership should correspond with actual enjoyment.

5. Some of the agricultural classes have run into debts partly for one or other of the purposes noted below and they borrow money on the security of their lands. Such debts will be about Rs. 2,000 for a village on the average. The debt is largely due to sowcars who are professional money-lenders. The rate of interest charged by them is Rs. 12 per cent per annum and if the amount of interest is not paid annually the interest will be treated as principal and interest charged for the same at short rate. The payment of the debt is enforced by the issue of a registered notice failing which by filing a suit for the recovery of the principal and interest. Only some who are efficient farmers are being turned from tenants for a period by the process of enforcement of old debts and the landed property passing on into

the hands of creditors. By this process the actual cultivator loses the incentive to produce more and in an efficient manner.

- (a) Payment of earlier debts.
- (b) Famine and other kinds of distresses.
- (c) Payment of land revenue.
- (d) Education of children.

6. There are very few small industries such as rice mills in this taluk and these are carried on not by agriculturists but by wealthy sowcars. Hand-spinning is carried on in villages by agriculturists mostly belonging to Koppala Velama caste. Such industries can be encouraged by the grant of loans by the co-operative societies or by Government to trustworthy people in villages. During non-cultivation season such as summer some of the poor ryots will take up coolie work, repairs to tanks and other manual labour and thereby supplement their agricultural income. The existence of small industries in the village will enable the poorer classes to supplement their income and to improve their condition in life.

6-A. Handloom and weaving industries are carried on on small scale by weavers in villages. If wealthy capitalists in a village advance money for purchase of yarn they can improve the industry to some extent.

7. Co-operative societies are now farming in some villages but the amount at their disposal is not sufficient to meet the demands of all the villages in a taluk. There are no joint-stock banks here and there is therefore no competition between them. In order to enable the co-operative societies to grant loans at a low rate of interest it is desirable to show some concession in the way of exemption from income-tax, etc.

II.—Indigenous banking.

8. There are no such banks here.

III.—Investment habit and attraction of capital.

9. There are facilities for the public for the investment of their savings such as Postal savings bank, cash certificates, co-operative societies and Imperial Bank of India. Postal savings banks may be established in villages where there are branch post offices so that the inhabitants of the neighbouring villages may have the advantage thereof. Agricultural population generally invest their savings on landed property and also in the purchase of gold.

10. Postal cash certificates are purchased generally by literate classes and not by agricultural ryots. The rate of interest may be increased to 6 per cent and the period of five years may be reduced to three years. The coolie classes and also masses and petty servants at times lay by their savings in savings banks and co-operative banks. Postal savings bank accounts may be opened in branch post offices to attract the villagers to lay by their savings in it. Agriculturists or other people here are not much for purchase of Government securities as the interest thereon is low. To attract the public, the rate of interest will have to be increased. The ryot population generally invest the money which they get into their hands by the sale of produce, etc., on mortgage of lands or in purchase of gold. The farmers lend money to their fellow agriculturists at Rs. 12 per cent per annum. There is no growth of cheque habit here. The cheques are generally issued by Government department and also by local boards, etc. Payment of salaries of Government servants or of bank employees for sums above Rs. 100 may be made by cheques. It is true that the investment habit of money on business by people here is very slow. It is due to want of confidence and trust among the people. The growth of education among the people is gradually improving the industrial habit of the people. The opening of new branches of Imperial Bank of India in recent years in important centres is tending towards the increase in trade by giving them money as loans on the security of commercial products.

(vii)

Copy of report of M.R.Ry. A. KRISHNAYYA PANTULU GARU, Revenue Divisional Officer, Vizagapatam.

I.—Agricultural credit and credit facilities for small industries.

(a) Expenses are incurred chiefly in cultivating wet lands on the purchase of paddy seedlings and transplantation. Land-owning cultivators borrow from the well-to-do ryot and ordinarily pay no interest. Lessees borrow from the lessor and pay it back with or without interest when rents are paid after harvesting is over. Sometimes, grain is borrowed instead of money. In such cases, interest is paid in kind, it being equal to one-fourth of the quantity borrowed. In some instances, the ryot borrows money under a contract to repay it without a specified rate of interest but on giving produce at a rate agreed upon or at the prevailing market rate during the harvesting season or about that time. Thus, the lender buys cheap.

Borrowing money is sometimes avoided. In the matter of securing cattle-dung for manuring, the landless man gives it on condition of receiving some agricultural produce. For ploughing and threshing grain, there is mutual help. One ryot lends his ploughs and does ploughing for another and in return the latter does similar service. In like manner, cattle are lent for threshing grain.

In the agency, plainsmen advance money in the cultivation season creating a lien on the produce.

(b) *For capital and permanent improvements.*—The taking of loans from Government under the Loans Act is made popular in the ryotwari area than in non-ryotwari areas. The ryot who is not involved in debts, who is not quite illiterate and who is in good graces with the village officers borrows from the Government. Ryots having encumbrances are alleged to go to their creditors, the reason being that it is difficult to get a loan from the Government on the security of encumbered property; secondly, state loans are granted for limited purposes. Further, the private money-lenders refused to give loans if the ryot goes elsewhere to borrow, on occasions, for the security for his loans is diminished. The ryot finds it difficult to pay different creditors.

Money is borrowed from the private money-lender on pro-notes and simple mortgages but where the debt is large, usufructuary mortgage is taken. Between a landlord and his lessee I do not refer to owners of estate (as defined in the Estates Land Act) land improvements of a permanent nature are effected by the lessee on the concession of paying lower rents compared with similar lands in the neighbourhood and keeping the land in his possession for sufficiently long terms.

(c) *For other special needs such as failure of monsoon.*—The Agricultural Loans Act is not popular for this purpose for under it the borrower gets money only and that after the lapse of some months which time is taken up during loan investigation. When he gets money he has again to purchase grain. The more attractive way open for him to get over delay and promptly get staple food-grains is to go to the village Komati or well-to-do ryot who would give grain directly it is asked for. Interest is paid in kind which is between one-fourth and one-eighth of the quantity borrowed.

To meet land revenue.—Very often, the ryot goes to the village merchant and borrows money promising to pay it back in the shape of grain at a rate agreed on or at the prevailing rate in a certain specified month when it usually is low.

For purchase of bulls.—Certain ryots borrow under the Agricultural (State) Loans Act. Others purchase from cattle dealers under the instalment system. In certain districts, for example, Nellore, cattle trade is an extensive business. Special breeds such as the Ongole breed, the Bhadrachalam breed, the Chandragiri breed, the Dupad breed of Kurnool district and the Mysore Plateau (Maddur) are purchased in large herds and sold on loan system, which loan is recovered in instalments of two or three, the first instalment invariably falling due in the year next after the purchase. Sankramanam festival (Pongal or Sivaratri) occurring in January or February is the counting point for marking time.

Interest.—The rate varies having regard to the nature of security given. When land is given as security, the interest is low and varies from 6 per cent to 8 per cent. On pro-notes, it is 10 per cent.

Whenever grain is borrowed, the interest is paid in kind. It varies from one-eighth to one-fourth of the quantity borrowed. For short-term loans (i.e.), those paid from the produce of the following harvest season, no security is asked for normally. Grain that is borrowed with interest in kind is given back at the threshing-floor as soon as threshing is over.

3. Part played by Government in agricultural finance—State loans.—The Takavi Loans Acts.—Loans are granted for land improvements and purchase of seeds and other purposes which are found in the Acts and therefore these rules need no repetition here.

The Imperial Bank.—Gives loans on the security of agricultural produce (Nellore and Cuddapah).

Money-lenders—Merchants and dealers.—Loans are given on the understanding that produce should be given for the value of the loan at a rate agreed on or at a rate prevailing in a certain specified month. This is very common for the following articles—jaggery at Anakapalle; coffee seeds in the Gudem agency; pulses, gingelly and paddy.

In the ceded districts, advances are given by Rally Brothers and Volkart Brothers for purchasing groundnut and cotton.

4. Estimate of total amount of capital required for various purposes—

(a) Payment of land revenue 10 per cent of the land revenue demand. For Narasapatnam division, six lakhs/10 = Rs. 60,000. The poorer ryots who borrow would be about 10 per cent.

(b) **Transplantation charges.**—Ryots cultivating 5 per cent of the total wet ayacut may go in for loans. The cost of transplantation may be put down at 4 rupees per acre.

These are the chief items. Paddy seed is being purchased from the agricultural farm at Anakapalle but not extensively. The particular variety purchased is *Kichidi samba* at Rs. 9 per bag.

5. Defects in the present system—Takavi loans.—Some defects are noticed below:—

(a) There is no restriction as to the status of a person to whom a loan may be refused. Experience shows that it is the poor ryot that is oppressed. He borrows from the village money-lender at high rates of interest and is thus ruined. Either because he has no influence with the village officers or Revenue Inspectors or because of his indebtedness, he is not able to get state loans. Rich ryots can get accommodation from the private money-lender. At present, some allotment is given to each Tahsildar. He worried himself somehow to spend the allotment. He catches hold of a few well-to-do ryots and exhausts the allotments. Perhaps, in some rare cases the ryot takes a loan to accommodate some inspector. Or, he borrows at cheap rates of interest and lends out at higher rate. It is difficult to discover the fraud. For instance, he borrows to purchase a pair of bulls. Some pair is produced for inspection. I think therefore it should be made as the underlying principle that loans be granted to a limited class and for large projects. Perhaps, it may be laid down that all ryots paying Rs. 50 as rent or assessment alone be eligible for loans. Also, persons who have projects which require a capital of Rs. 2,000 or more. The former limitation is to help the poor man, the latter to help the rich man. This is for normal seasons. For abnormal seasons, such as failure of monsoon or devastation by floods, restrictions may be released suitably. Some sort of remedial measures on these lines are necessary to prevent abuse, and frauds in the selection of persons for distribution of loans and to make the loans accessible to the poorer classes.

(b) **Consolidation of debts.**—A good many cases exist where owing to previous indebtedness of the ryot, he is not able to take advantage of state loans. His difficulties are that he cannot find adequate savings to distribute among several creditors. He thinks that it is more profitable to him to stick to his village money-lender and be a debtor to one. Now, the Government are prepared to grant a loan up to the value of the security offered.

A village money-lender is always careful to see that he does not lend more money than half the value of the security. So there should be reasonably no difficulty to grant a state loan to cover the previously existing debt and an additional loan for an agricultural purpose up to the value of the security offered. The only objection to such a course is that part of the loan will not have been given for an agricultural purposes under the Act. It may be that the debt to the money-lender arose out of the necessity to improve land or in purchasing land and for some other agricultural purpose. In such a case as that, the purpose of the loan was for an agricultural purpose originally though it does not appear to be so at the time of granting the state loan. By consolidating loans in this way, the ryot is enabled to take state loan which relieves him of distress coupled with the advantage that the Government becomes the sole lien-holder on the security. The capital required may not be much if as stated in the previous paragraph the granting of loans be limited to a certain scale of rent or land revenue paying ryots. It may be in some cases, the previous private loan was taken for other than agricultural purposes. No inquisitional enquiry would be profitable because state loans too are diverted for other purposes though not openly done so.

(c) *Summary recovery*.—The rules in this matter are Rule XII and Rule XXVI—Note 4.

In practice, the whole of the unpaid balance is recovered in one instalment. The default in carrying out the work obviously arises because the money had been spent on other purposes. To check such abuse, it is necessary to have a penal clause as now there is. But, in ordering collection in a single instalment, the borrower is driven to go to the money-lender and suffer. The proviso to Rule XII would seem to need amplification to the extent that the outstanding balance may be recovered in two instalments with interest.

(d) *Repayment*.—Rule V lays down that the payment should be made in one of the kist months. Ordinarily, the payment is made to coincide with the first of these kist months. This leaves little time to the borrower, after the harvest, to sell his produce and get an accommodation for money. It seems desirable to shift the repayment to the last kist month, relaxing if need be in the particular cases required the restriction in this rule that the date of payment of first instalment shall not go beyond thirty months from the date of last disbursement.

(e) *Consolidation of land*.—The ryot is anxious to possess as much land as he can. For this purpose, he invests his savings on land and where such saving is inadequate or is nil, he borrows. In certain cases, it is a great necessity to purchase land to consolidate his lands. In the following,

1	2	3
A	B	A

example, A holds plots 1 and 3. B offers to sell his land and hence is an opportunity for A to round off holding. He cannot borrow money under the takavi loans for the purpose of purchasing land. It seems desirable to enlarge the scope of the purposes for which loans may be granted. The real difficulty for the Government may be to provide the necessary capital. If need be, district debenture loans may be raised by the state for acquiring the necessary capital.

Incidentally, I may submit that, if legislation is possible, it may be enacted that whoever may lend money for any of the purposes connected with agriculture other than Government, the rate of interest may not exceed a certain limit which may be equal to the rate fixed by the Government or a little over. Perhaps, income-tax revenue may suffer a bit for putting a limitation on interest. But, if that legislation is possible, the capital required for Government loans would not be heavy and the ryot is not also oppressed. Of course, it is possible for the money-lender to coerce the borrower to write a purpose other than agricultural in order to get the loan. But, in course of time, such oppression may cease. Merchants and trading companies must purchase agricultural produce and they cannot withhold their capital and business in issuing loans for a long time, though dissatisfied with low rates of interest.

The Imperial Bank loans.—I am informed that the bank is to grant loans on the security of agricultural produce for helping the ryot. What is happening sometimes is that the ryot borrows with the knowledge of the authority competent to grant the loan ostensibly for agricultural purposes, but the sum is really used for banking, so that at Nellore some money-lending banks sprung up about four years back borrowing at 9 per cent from the bank and lending out at 16 to 20 per cent. The person responsible was booked on other grounds.

6. (2) *Present method of marketing in Vizagapatam district*—

(a) In the agency and in the plains products are brought to the shandy (weekly markets) and sold there. Buyers from important places go there and purchase. These buyers sometimes send the goods purchased to wholesale dealers in important towns for example:—Downur, Krishnadevipeta which have shandies. Narasapatam merchants purchase and sell them again at Anakapalli.

(b) As has already been said, advances are given in the kist season or agricultural season to the ryot. The lender goes to the village soon after threshing is done or at the appointed time and takes the produce according to the terms of contract.

(c) Merchants go to important villages and purchase by private contract without entering into previous contracts as in (b). This is the chief form in Nellore where the weekly shandy system does not exist.

(d) In the case of fruit, it is sent to Madras (Kasimkota) to commission agents for sale.

(e) Sometimes, as in the case of gingelly which is so largely produced in Golugonda, ryots cart it to Anakapalli and sell there for the highest offer instead of selling locally.

7. *Marketing produce.*—Societies may be formed at every taluk headquarters station and, if necessary, at important villages, preferably one society for each important product produced in the area. Each society will pay on delivery of goods the cost of the goods at the prevailing market rate uniformly, whether the ryot brings large quantities or small quantities. After the society clears the whole goods, it will pay to the ryot some percentage of the profits to each and every ryot constituent, making allowance for the charges of the institution under every head. Such as establishment, interest on borrowed capital and so forth. No fraud can be committed on the ryot for he gets current market rate on delivery of goods. His immediate needs, such as for payment of kist and so forth are satisfied. There is no bargaining as the purchasing rate is fixed and uniform for any one day. There is a chance of the society making profits for it holds large stocks, can control the large purchaser and quote its rate. Large dealers find it easy to deal with one society straight off instead with several ryots and perhaps can afford to pay thereby decent prices for they save expenditure that is paid under certain items, such as brokerage expenses in carting and so forth. It is preferably better to have one society for one product. Such as a gingelly society in a gingelly producing area; a groundnut society for a groundnut area; one for jaggery and one for paddy and so on. Specialization would be good in a way for some classes have proficiency and desire in dealing with special goods. For example, the oilmonger class may be willing to deal only in oil seeds and not in paddy.

I knew at a small Deputy Tahsildar station called Sulurpet (railway station) in Nellore district, there was an oilmonger's society, which purchased gingelly seed, pressed oil and sold it. It was started at the instruction of Diwan Bahadur R. Ramachandra Rao, Esq., B.A., Collector, and was working well when I was Deputy Tahsildar at the station in 1920. There was a similar society for soap-stone quarrying—this illustration however is not strictly in point as it is not agricultural in nature—at a village Sydapuram by name, seven miles west of Gudur railway station in the Rapur taluk of the Nellore district. At this village, soap-stone was extensively quarried, converted into culinary pots and exported to distant stations up to Rajahmundry on the north, and Tirupati and other places on the south.

8. *Credit facilities required for the finance of products, etc., and facilities now existing.*—The average ryot is now obliged to rush to the market or

money-lender as soon as or even before his harvest is made for accommodation of money. He cannot leisurely sell the produce at the dearest price—for, in some cases, he wants money to pay kists: he wants money for purchasing cloths or for festival expenses which synchronize in January with the harvest of the main produce. In some cases, his contract with the creditor is that he should deliver the produce at the threshing-floor or during general harvest season. The facilities required are given in paragraph 7 above.

The existing facilities are few—I may say, practically nil—so far the limited means ryot is concerned. Large dealers and the Imperial Bank give loans on the security of produce but these firms and banks are inaccessible to that class of ryot because partly he is unable to comply with the conditions regarding sureties and so on, and for the rest he does not possess the influence necessary to get at the person competent to grant the loan. For the limited-means ryot, he must have a source where he could get accommodation without having to go through many and tangling formalities. Herein lies the success of the village merchant to easily get at the ryot and his produce.

9. *Part played by banks, bankers, merchants and dealers.*—In a way, I have dealt with this matter already. Merchants and dealers purchase outright from the producer or the intermediate purchaser and act as commission agents too.

10. *Facilities for internal remittance.*—

(a) Commissions given by the Postal department for making remittances, particularly the insurance system.

(b) Letter of credit—also called a hundi—which is a letter of authority from one merchant to another who has dealings with him to pay.

(c) Hundis, and cheques.

(d) Bank drafts.

(e) Remittance transfer receipts.

11. *Defects in the existing system.*—The postal insurance system seems an unsatisfactory business if we re-call to mind thefts of contents. The enquiries never end satisfactorily and take very long time. Where fortunately theft is only in respect of first half of the notes, the time stipulated by law must lapse before money is ordered to be paid by the currency office.

In lieu of this method, the Postal department can as well issue a cheque or a draft, non-transferable, to the payee, after collecting the same postage as it now does. The registered cover with the currency notes will be presented at the office. It will be weighted by the Post office and the duty will be collected. It will retain the paper money and in lieu of it, issues a certificate in some form. Or, a form similar to the money order form may be presented and the commission payable on this transaction—may be fixed in terms of the same duty as is payable on the insurance cover.

Whenever the loss is proved as genuine now, the Government is made liable. If the offender is discovered, expenses are incurred in prosecution. All this can be avoided and advantage gained for both sides if some such method as above is introduced.

12. *Hundis current.*—I know of one form which is something like a letter of credit or authority as below:—

పెన్స కట్టుం పెంకటకృష్ణ బ్రదర్స్.

మ-రా-రా-క్రీ నేముల పెంకట్రావయ్యగారికి దరిశన నుండి.

ఈ జాబితాచేసిన మ-రా-రా-క్రీ రామస్వామిగారికిగాని వారి అద్దరు పొందిన వారికిగాని 500 రూపాయలు (అక్షరాల అయిదు వందలు) తక్షణం ఇచ్చి రక్షింప వలెను. మొత్తం మాతాతాను ఖర్చు వ్రాసుకునేది.

13. *Land values per acre in Vizagapatam district (Narasapatam division, Vizagapatam division).—*In ryotwari, areas, generally, there are only wet and dry lands; occasionally *mandarari*. The value does not absolutely depend on the nature of every crop raised but on the principal crop raised. In non-ryotwari areas, garden crop lands are very valuable. The several values are given below:—

	Per acre. Rs.
(a) Wet lands, growing paddy, or sugarcane—	
(1) Single crop under assured irrigation sources ...	600
(2) Single crop under inferior sources ...	300
(3) Double crop ...	1,000
	to
	1,200

If the above are in the vicinity of towns or in towns such as Anakapalli, nearly 50 per cent over and above the above rates.

(b) Dry lands growing unirrigated dry crops Rs. 100 to Rs. 200.

In the vicinity of towns 50 per cent more.

If there are facilities of well irrigation, value is enhanced by value of the well by about Rs. 200 or Rs. 300.

(c) Garden crop lands in non-Government areas.—Rs. 600 to Rs. 1,000.

The following circumstances give enhanced values for lands:—

1. Wet lands—

(a) Registered double crop lands.

(b) Enfranchised inams bearing an assessment less than full assessment.

(c) Nearness to the irrigation source whether it is a tank or field distributary. A block of land next to the distributary commands higher value. Tail end lands have less value.

(d) Lands under low level sluices get higher values than lands under high level sluice.

(e) Anxiety to consolidate holdings and rounding off.

(f) Nearness to village.

2. Dry lands—

(1) Black soil growing jonna, cotton and groundnut.

(2) Village site detached backyards of pati-earth soil fit for growing tobacco.

3. *Dry lands.*—Irrigated crop lands such as chillies. Except when there is combination among bidders, normal values are obtained at auctions of sale of lands for arrears of land revenue. Sometimes, village officers keep down prices at auctions by manoeuvring. Whenever an extensive registered field is put up for auction, the average value realized per acre is less than what may be realized if the block sold was only one acre. For there is generally more competition on account of larger number of bidders who are desirous of purchasing small extents, the value of such extents being within their means. Cases of this nature are few.

In sales for court decrees, full value is generally not realized. Generally, the decree-holder is the only person interested in the lands and he does not bid for more than the decretal amount and its value is generally far less than the value of the property. In giving a loan, the creditor does not give more money than half the value of the land. Further, it is in the discretion of the selling officer to select lots for sale. Competition is less whenever blocks of very large value are put up for sale.

Purchase by private negotiation is by far the best method for obtaining full values except when the land is encumbered much and all creditors simultaneously press for repayments. In such circumstances, the land owner is obliged to sell cheap as his necessity is known to the purchaser.

14. I-4. *Legal impediments to mortgage.*—(a) All classes of land assignments by Government whether absolute or temporary with restrictions on alienation and powers of reservation of reversion and right of re-entry for breach of violation of terms of grant whether given for agricultural or mining purposes. B.S.O. 15-24; Mining Manual (old B.S.O. 25).

(b) Lands, if any, to which Act II of 1894 has not been extended and enjoyed in lieu of remuneration for services rendered by village officers.

(c) Special classes of service inams.

In the following cases, it is difficult to secure mortgage.

- (1) Hindu widows who have no issue and who have only life interest in property.
- (2) Minor's properties.
- (3) Lands reserved for artizan inams and not enfranchised.
- (4) Undivided share of co-partners in joint-families.

Agricultural bank or other banks for provision of long credit.—Nil.

Land mortgage banks or agricultural banks.—There must be one at each district headquarters. Working capital may be raised from deposits supplemented by funds from central institutions and debenture bonds. Deposits must be encouraged so that savings in a local area may be pooled in. The managing authorities would be local people and they would evince greater interest in managing their funds. The managing authorities must be mostly drawn from the depositors and debenture loan-holders of the local area. In order to encourage contribution of capital and ensure sound management, there must be State guarantee for both capital and interest, the State guarantee for capital being limited to 50 per cent and interest fully guaranteed.

The country's capitalists' view is developing on the materialistic side and the only inducement for a flow of capital as deposits is decent interest. Recognized banks give interest on fixed deposits from 4 to 5½ per cent, those payable after a term of one year bearing the higher rate of interest. Loans may be given at par. Five per cent interest may be guaranteed by the State; and for some years in the initial stages, the interest may be declared free from income-tax. In order to cover possible losses to the State, a reserve fund may be maintained. All sums remaining after payment of interest to the creditor—whether he is the depositor or a central fund institution or a loan subscriber—and meeting all charges, may be transferred to the reserve fund which should be entirely at the disposal of the Government so long as it guarantees principal and interest. Losses in any one year may thus be recouped from savings in the previous year. There may be two rates of interest in lending, from the bank, one rate for short-term loans and another for long-term ones. Short-term loans may be given for all miscellaneous purposes, other than capital expenditure on land, and purchasing land. The miscellaneous purposes may be agricultural or non-agricultural. In order to encourage thrift and in order to cover losses of the bank on account of having to keep some capital in reserve to meet these temporary demands, and consequently of having to keep capital idle, a higher rate of interest may be imposed on this class of loans. It may be 10 per cent and the term of repayment two years.

In the case of long-term loans, the bank gets interest steadily for a number of years. As the capital is not idle for broken periods of short duration as in the other cases, the rate of interest may be fixed at 9 per cent. The loan with interest may be payable in any part of the year and the interest recovered only up to the date of payment, whether it is a full year calculated from the date of grant of the loan or fraction thereof. The maximum period for a long-term loan may be fixed at 20 years.

No loan may ever exceed three-fourths of the value of the property offered as security. Personal security may be rejected. Frauds may be practised in overassessing the value of the property. Once in every year, a rate should be fixed for the different classes of land having regard to registration statistics of the three past years prevailing before the first cultivation season, for after that often standing crops are also included in the sale of land. For this purpose, the bank may get the opinion of the local tahsildar also. In fixing values, regard must be had to river irrigation areas, tank-bed areas, and backward areas such as the Agency in order to have a sliding scale proportionate to fertility and cheapness of the property. In order to prevent losses, it should be laid down in the land governing the constitution and management of these institutions which I presume will be made, that the debt to these banks should be made the next first charge after any form of rent or assessment on the land security offered for loans from the first encumbrance on the land. If retrospective effect is given, the existing creditors will loudly complain and with good reason for if from the value realized all the dues of the bank are fully taken, the balance available for

the other creditors may be inadequate to cover their loans. In course of time, the ryot will see that it is profitable to him to consolidate all his debts with one creditor, and is very likely to borrow from the bank to pay off his other pestiferous debts and make the bank the only creditor. Similarly, in the event of liquidation, the debt to the bank should be fully paid up from assets realized, the balance being distributed among other creditors.

Collection.—Banks are sure to make good business if instalments of dues are regularly paid. Slackness in payments is so common that it leads to fraud. There must be a very effective weapon to collect instalments in cases of default.

One way is to extend the existing system of collection by the application of Act II of 1864 of decretal amounts passed by the Registrars of Co-operative Societies. In this case, the Government may lend an officer of the rank of Deputy Tahsildar as on foreign service and the administration of Act II of 1864 may be made through this Deputy Tahsildar and the Deputy Registrar of Co-operative Societies who is a Deputy Collector.

An alternative method is this. The borrower may execute a counter-part agreement when taking the loan. He will not only offer the land as security, give possession to the bank as receiving the loan, but also every crop on it that may be raised at any time so long as the debt stands. If this position is legally possible, the bank will be in possession of crop actually existing or that may be raised without regular process of attachment. The standing crop will be treated as though it is under attachment whether it has been raised by the borrower, his heir or his lessee. Whenever he makes default in payment of an instalment and has disposed of the produce he may be prosecuted for fraudulent conveyance of property after giving a fortnight's notice. Four hundred and twenty-one to 424, Indian Penal Code on the assumption as said above that by contract voluntarily made the crop will be treated as if in the bank's possession without actual process of attachment. Or, the standing crop will be held in the borrower's possession as on trust on the basis of a voluntary contract as stated above. So that if he disposes of the property he may be prosecuted under 403 or for breach of trust. Some such provision is in the E.L. Act, section 212, fraudulent conveyance. As in the case of forest and abkari and other fiscal laws, the borrower may compound after payment of instalment and costs of prosecution. At first sight, it may appear as if criminal work may grow extensively. It is possible it may be so at the beginning but will not be so for all time.

If however the above methods are considered unsuitable, and only civil action is considered best, the nearest court to go to is the panchayat court. But this system will not work for there is sure to be collusion by corruption between the panchayatdars and debtors. There may be a special court under the control of the Deputy Registrar with summary powers as in the case of Estates Land Act. The court-fees should, however, be reduced by 25 per cent against full fees as the suit values in order that the borrower may not be oppressed with costs.

In order to make the place of payment easily accessible, the borrower may be permitted to pay instalments at the taluk treasury the Government charging a percentage of $\frac{1}{2}$ per cent for labour and stationery. The amounts will be credited to personal deposits, one account being opened for each bank.

16. **Record of rights**—[4 (a) Questionnaire]—There is nothing like a record of rights in this Presidency compared with that society in the Bombay Presidency or Central Provinces. The only account there is, is village account No. 10-1 in the ryotwari area which is only maintained on the basis of executive orders: there is one prepared under Chapter XI of the Estates Land Act "whenever a proprietor requests: in other non-Government areas there is no account at all except perhaps what is given in the land cess accounts by the proprietor under section 79 of the Local Boards Act. The above accounts show enjoyment in spite of the serious efforts made to bring enjoyment upto date under B.S.O. 31 in ryotwari areas, the ideal has not been reached, nor can it be. In the proprietary areas, where a record of rights has been prepared under Chapter XI, enjoyment is never brought up to date for there is no obligation on the part of the proprietor

to do so and it is only optional with the tenant to ask for transfer of registry—section 145 (1), Estates Land Act. So ownership as shown in the above two accounts (village account 10-1 and chapter XI, Estates Land Act) is not legally conclusive.

If registration of transfer is made compulsory by-law, then an extract from the record of rights (chapter XI, Estates Land Act) or from village account No. 10-1 will show ownership correctly.

If the above method is not possible by passing the desired enactment, the only alternative is to have all the following:—

(1) The borrower should declare the extent of land correctly; further, that no others have an interest, and that he will indemnify the bank against claims from third parties. A false declaration should be punishable under Indian Penal Code.

(2) The borrower should get an encumbrance certificate from the Sub-Registrar in all areas except Agency areas. The fee should be fixed low, two rupees.

(3) The declaration in item (1) should be confirmed by a certificate from the village officers on payment of a fixed fee of Re. 1. I can see that this method is likely to lead to oppression from the village officers that seems unavoidable. Whenever the village officers refuse to sign the certificate, there can be a thing like appeal to the Tahsildar in order to compel them to state why the certificate is not signed, and to know if the refusal is for good reasons.

(4) On receiving an application for loan, a notice to that effect should be published in that village giving one month's time to dispute ownership by any person having rights.

(5) Whenever one person files a suit against the borrower in regard to title to land, it should be made a rule that the bank should not be impleaded in the ordinary way but on satisfactory cause being shown for not raising such dispute, in the one month's time referred to above.

17. *Record of rights.*—In the case of Government areas, the village officers can grant an extract free of costs on a form to be supplied by the borrower from the bank. The village officers get writing fees of Re. 1—vide paragraph 16 (3). Granting an extract is only an extension of the latest concession given by the Government to ryots to see No. 10-1 free of charge and take notes.

In non-ryotwari areas, there is no use of referring to the record of rights as things stand now for reasons given in paragraph 16.

Registration of records.—I presume this refers to documents connected with loans. This may be done in one of two ways. If registration is elected to be done only by Registration department, a touring sub-Registrar may be appointed for the Presidency who would visit the bank according to a programme; and registration will be done then. There may be a fixed registration fee and similar favourable fixed fees for the several documents. The alternative method is to have registration effected by the chief ministerial officer of the bank, registration fees payable to the Government being collected in the shape of stamps. A statement will be sent by the bank about each registration made giving particulars of fees collected.

18. *Estimate of indebtedness.*—I have no ready estimate of a village's indebtedness taken from actuals. But one can perhaps be worked out thus:

Debts may be classified—(a) Secured debts, i.e., on the security of landed property.

(b) Unsecured. All other kinds.

General enquiries show that 40 per cent of the ryots are indebted. Thirty per cent of this debt is covered by secured debts. Expressed in terms of land 25 per cent of the cultivable land is perhaps encumbered by some form of mortgage. The indebtedness may be worked out thus. From the jamabandi statement in revenue accounts for ryotwari areas and cultivation accounts for non-ryotwari areas, the value of the 25 per cent cultivated land may be worked out at Rs. 1,000 for wet lands in delta areas,

Rs. 500 per acre for wet lands in non-delta areas, Rs. 150 ordinary dry land, and Rs. 800 for garden crop land or roughly at Rs. 500 per acre on an average in delta areas and Rs. 300 in non-deltaic areas without distinction of wet, dry or garden crop.

The value of unsecured debts is not likely to be much and may be put as 10 per cent of secured debts.

Add to these, interest for three years for that is the limitation for unsecured debts, and in the case of secured debts interest at the end of three years is added to principal.

An alternative way would be to go by the figures in the Registration Department Administration Report for items available. These figures are also absolutely not correct for parties intentionally give low values to avoid high stamp duty. In some cases, it also happens that when all the land a ryot has is sold away in satisfaction of a debt, though the real value of land is less than normal, it is given a high value equal to the value of debt in final settlement of it. To take up G.O. No. 149 (Land Registration, dated 31st May 1929) which deals with registration in mortgage property for the triennium 1925-28.

For Madras Presidency—Column 13.

For Vizagapatam District—

1925-28.

1928 only.

	RS.
1928.	19,87,43,259
1927.	20,56,72,478
1926.	19,71,02,316
	<hr/>
	60,15,18,053

RS.
59,05,112.

Roughly 60 crores.

Ordinarily, except in the case of usufructuary mortgages—rather exceptional—mortgages either are redeemed or lands are sold at the end of six years for by that time interest would come to 60 per cent of principal at 10 per cent. Deduct 25 per cent debt as redeemed within three years the balance of debt is 60 minus 15 or 45 crores. Standing debt may now be worked on the above basis, as 45 plus 45 or 90 crores.

Collected for a period of six years.

Add lands sold for clearing debts and unsecured debts 10 per cent of above—9 crores.

Add 10 per cent as interest on an average $\frac{1}{10}\%$ or 110 crores.

For Vizagapatam.

Debt for one year 1928 on mortgage, Rs. 59,05,112.

Standing debt capitalized on six years basis—

6 plus 59,05,112
= 3,54,30,662

Deduct redeemed debts at 25 per cent = 88,57,665.

265 lakhs.

Add unsecured debts 10 per cent =

291

Interest at 10 per cent. 29
Total debt 320 lakhs.

There is yet a third method which consists in working out debt from statistics approximately from the book entitled "A note-book of agricultural facts and figures" and from the figures of mortgages.

Assuming that Rs. 59,05,112 (mortgage debt) according to registration figures is the average debt per year for Vizagapatam, incidence of debt per acre is 59,05,112/22,47,991—4 annas roughly per acre. Standing mortgage

debt per year in any village—area cultivable under holding $\times \frac{1}{4}$ rupees. Standing debt for six years, the period during which mortgage is kept, is got by multiplying by 6.

Then, the other items on account of reduced debts, interest and other debts can be worked as above shown in second method. This comes to 300 lakhs roughly.

Page	202.	Vizagapatam—Area under cultivation.	
"	202	Double crop area is 1/7 of	2,622,656 acres.
"	222	area cropped 444,196/	374,665 deduct second
Column	50.	2,066,852.	crop area.
			2,247,991.

19. Of the several purposes for which debts are incurred, items (f), (g) and (i) are uncommon.

The creditors, broadly speaking, are largely professional money-lenders, and the well-to-do ryots in the village.

Interest.—

- (a) Security of land—6 to 8 per cent common.
- (b) Pledges of jewellery 10 to 12 per cent.
- (c) Other debts 12 to 18 per cent.

On mortgages, arrears of interest is added to the principal once in three years according to the terms of the mortgage.

In other cases, as the limitation law applies, interest is added to principal at the end of three years and the pro-note is renewed. In the case of all debts, money paid is first taken in reduction of interest and not principal, anything left over is taken against principal. Ordinarily, interest on the principal and repayments is calculated once in three years, arrear interest is added to principal. In the case of mortgages, the interest is calculated at the time of redemption. Money paid over and above interest, is taken in reduction of principal and the balance of principal, if any payable, is cleared.

In indigenous banks (not constituted under law—Bank Act)—I refer to Nalikota money-lenders and banks (run by Reddies in Nellore)—interest for the first year is taken in advance and the balance only is given.

20. *Enforcing payment of debt.*—The village creditor collects instalment payable in kind at the threshing floor. Village arbitration and courts including village courts are other agencies through which arrears are collected.

In the case of usufructuary mortgages, it happens that the former works as tenant of the creditor whenever the farmer has mortgaged all his land. This is, however, not a large percentage as such mortgages are few. Naturally, the incentive to produce more gets weak.

21. *Subsidiary industries in the province—*

Rice-milling.—There are few in Narsapatam and Vizagapatam divisions, perhaps in all about ten. These are generally concentrated near railway stations—Example one in 3 miles of Narasapatam road on the trunk road, near Pedagummulur, Tallapalem, Anakapalli and Vizagapatam town. The charges for milling are 5 annas per bag of two bengal maunds. Milling is generally dull in the off season, from September to December and for one month soon after the harvest until the market price is settled. Oil engines are ordinarily employed. The women employed are paid 5 to 6 annas, unskilled men about 8 annas, and children about 3 annas.

In the rice exporting district of Nellore (Nellore and Kovvur taluks) there is at least one mill for every group of ten villages. The off period is relatively shorter. Milling charges are 4 rupees per putty (one putty equals 1,120 imperial seers).

Gur making.—Anakapalli produces much jaggery. The country mill is largely employed to press the juice. The mills supplied by the Agricultural department are making some headway. The ryot who produces much cane

buys some from the smaller ryot to extend the scope of his business. Perhaps, the correct number of mills may be obtained from the present quinquennial census. There may be 1,500 mills in Narsapatam division roughly ten in about 150 villages where sugarcane is grown (three talukas).

22. Encouraging subsidiary industries—

Rice making.—In order to establish more mills, more paddy must be produced. Irrigation facilities are wanting. For example, there are two rivers. The Sarada and the Varaha. Their courses and duration of flow are short and drop in bed level is large. If some resources are constructed along the sea board, water may be stored for irrigation and more paddy and sugarcane may be grown. There is much water going to the sea as waste during flood season. Any sum between Rs. 5,000 to Rs. 10,000 is required to establish a rice mill. The State might give some loans. In towns, these mills are generally concentrated. There seem to be more reasons than one for this preference. The seller can sell in the town and can easily export from the railway station. The capitalist is generally found more in towns and he likes to have the mill where he is in order to exercise close supervision, reduce fraud and earn more profits. There is thus a strong tendency to establish the mills in towns. If a restriction is placed by law in the Municipalities Act as to the number that could be licensed in a municipality having regard to its size and population, it will necessarily drive some capitalists to go into the interior to establish factories, and thus give employment to labouring classes. If the State gives some subsidies, it will be an incentive to utilize local capital or capital borrowed from banks or from Government (agricultural or others).

In order to help the jaggery producer to earn more profits loans may be given him to avoid forward contracts with merchants at cheap prices.

23. *Enterprises which give employment to farmer in off season.*—Employment may be found both on the industrial side and agricultural side.

Industries.—Every tract in the Presidency produces some article used in industries. For example, very extensive quantities of palmyra fibre are prepared and exported from Vizagapatam particularly from Anakapalli centre. This fibre is prepared in innumerable villages in the interior and carted into Anakapalli.

Godavari district-must produce a lot of coconut fibre.

Ceded districts much cotton and so on. Groundnut is produced. So also certain other oil seeds.

According to figures on cultivation as found in the book (1929) a notebook of agricultural facts and figures, the paddy area cultivated in Vizagapatam district is 10 per cent of the total area cropped with paddy in the presidency. There is thus room for putting up more rice mills. The area under groundnut and gingelly is large being 91,390 and 132,900 acres respectively (page 217 of the book). Oil presses and decorticators may be established in the interior villages instead of the raw produce being brought to towns or exported as such.

If the question of providing employment to farmers is given prominent consideration, it is not difficult to make suitable amendments or provisions in the Municipalities Act and Local Boards Act in regard to restriction of mills in town or other particular places. Distribution can be more fairly and usefully regulated. Congestion of mills is removed; competition is killed; agricultural labour is not attracted to towns; villagers find employment near their villages. Public nuisance from mills in towns is mitigated and health improves.

The export of raw produce, such as paddy, groundnut must be taxed heavily, i.e., tariffs raised. Then, there would be produce which can be worked in mills. Oil can be pressed and exported from the producing centres. With stuff like palmyra fibres, small manufactures may be established locally in order to manufacture articles and villagers trained as to how to prepare door mats or other manufactured articles as are now done at the importing areas. Villagers who do not mind working in manufactures may go there and work. Others may take fibre home, prepare them and give finished articles. They can use their off time in the evenings in all seasons, and also in the day in the off cultivation season.

Similarly, cotton may be brought from the producing districts and given for preparation of yarn. Villagers, women in particular, are willing to spin yarn. They can have cloths for wear cheap for the coolie for weaving a saree with such yarn is only 6 annas. The question is how to get capital. The Government may start demonstrative institutions, and then sell them to co-operative societies or private persons. Or, foreigners who now import raw stuff may themselves establish factories locally with their capital.

To pass on to the agricultural side.—It is undisputed experience that during the months of February to July which is the off agricultural season the supply of vegetables is very limited and sometimes scarce both in towns and villages. The raising of vegetables is a paying business. It is a necessary article of diet and every house—rich or poor—wants it. Vegetable growing requires well irrigation. As matters stand, villagers who have to rail produce to towns cannot compete with those who raise vegetables in their neighbourhood and carry them as head loads. The railway freight makes all the difference. Perishables are now charged half rates. Recently, it was announced in the papers that the Madras & Southern Mahratta Railway has given the concession of free transport into Madras city of vegetables by persons in charge of them (as I.C.P.) without any restriction as to weight from any station within 20 miles. This concession may as well be extended to all district headquarters stations. Furthermore, the freight on vegetables may be reduced from 50 per cent of the standard rates as now to 5 per cent. The volume of export of this commodity is in any event going to be limited and the company's losses are likely to be insignificant.

Further, water-rate in Government areas may be reduced a bit on this sort of produce whenever it is raised as a second crop, if need be.

II.—Indigenous banking.

24. I can only give some information in general.

To find capital, some indigenous banks borrow at a cheap rate of interest and lend out dearly in more ways than one.

They represent to the Imperial Bank that they want accommodation for agricultural finance. In order to expand the business of the bank taking this as the average honest purpose local agents lend out money at 9 per cent or so. The banker lends out money at double that rate according to the necessity of the borrower. Sometimes, small ryots savings are posted in by bankers paying small rates of interest, such as 6 to 7½ per cent.

It would not be altogether incorrect to suspect that money borrowed under the States Loans Acts are diverted in this manner to a very limited extent. Takavi loans.

I know that in a very few cases, soon after the war when the value of land was high, lands were sold and the money thus got utilized as capital. Profits from money-lending are some multiples of nett profits from agricultural produce. Land gives 6 per cent at the mart while money-lending earns 12 to 18 per cent.

In order to make the banks (money-lending banks) useful, there must be a strict provision of law making the lending of moneys above a particular rate of interest criminal. At present, there is reckless borrowing at high rates of interest. The tradesman thinks it is an inevitable evil to pay high interest and one which has only to be endured. Speculation seizes his mind strongly. He does not mind seeking the protection of the Insolvency Act for the shame that attached before to a declaration of insolvency has disappeared nowadays.

III.—Investment habit and attraction of capital.

25. Institutions for investment of savings are nil in the interior villages. There is not much confidence in village co-operative institutions. Post offices doing savings bank business are practically nil in such areas. So, savings with a ryot, if very small are buried in earth in small pots for use in difficult times; influential ryots lent out moneys for interest while others invest them in purchasing land.

26. Habits of people to invest in gold and silver.—Compared with townsfolk, village folk have less tendency to invest savings in jewellery. The tendency of village folk is to lend money for interest or purchase land. As civilization is advancing, and communication with towns is getting easy, there is some tendency to go in for gold jewellery. The tendency to make silver jewels is dying out as silver has become cheap. Even in gold jewellery, the use of some forms is getting out of fashion, like १०८ ; १०८०००००० ; १०८० and so on. Whenever a person can afford it, he thinks of ornaments in precious stones. It is difficult to give an estimate of the value of gold jewellery accurately in a family of normal means. I think in a family whose annual income is Rs. 3,000 the housewife would have gold jewellery worth Rs. 2,000. A family of ordinary means will have Rs. 300 to Rs. 100 worth of gold jewellery. Roughly, the value of gold jewellery will be equal to one year's annual income of a family.

27. Popularity of cash certificates.—Not popular in villages. Post offices are not in easily accessible distances. Secondly, a purchaser of a certificate gets nothing as interest if he converts it into money within one year of purchase. Whereas, if the ryot lends money, he gets interest for every day. If the certificates are to be made popular, they have to be advertised and sold in the values through the agency of Postal Department or the Land Revenue Department. Each certificate must be capable of being sold at the end of one year, i.e., instead of five years' postal certificates there can be a class one-year postal certificates. They may be made transferable as a negotiable instrument and adjusted through the village officers against any form of demand of revenue due to Government. The rates may be so changed as to give at least 6 per cent interest in order to attract more capital. The interest in the market is much higher and the Government take higher interest for State loans. It may be said that the certificates are free from income-tax. That makes no impression on the poor man who has small savings for he rarely ever gets taxable income.

Savings banks.—The official classes mostly use this investment for under the Government Servants' Conduct Rules they are prohibited from lending money. The rates may be so fixed as to work out 6 per cent interest in order to attract other classes who easily make interest equal to that in the open market either in money-lending or other trade.

28. Purchase and sale of Government securities—

In Government administration.—The rules regarding purchase and sale are contained in the Securities Manual and Postal Savings Bank Rules which I think it unnecessary to repeat here. The transactions are done through the Accountant-General.

Imperial Bank.—Money is credited into the bank which negotiates receiving commission. I do not think these securities will ever be popular with the small agriculturists. The small agriculturist wants a return for his money at a rate equal to local interest rates. He does easily find a borrower locally. Interest on Government securities is low relatively, and it will never attract him. After the Arbuthnot & Co. crash and changed conditions after the war, there is strong incentive for the agriculturist to invest money on land, if he has enough money. Else, he lends locally and gets at least 9 per cent.

29. Habits of people in utilizing savings and money got from sale of produce.—It is convenient to consider this subject under village folk and town folk.

A. Brahmans.—Villages. Strong tendency to purchase land: next money-lending profits from which are used for ceremonies; next business (small scale) such as having shares in rice mills (Nellore): religious purposes—such as construction of Rama Bhajana Mandirams: Purchasing gold for jewellery to a very limited extent. As a class, it is generally indebted as ceremonies such as marriages and obsequies absorb far too much compared with savings. Much money is spent on education.

Towns.—Money-lending: House property: Business, such as cloth-shop, salt shop, ghee trade (Jammalamadugu, Cuddapah district), bus services (Anakapalle, Vizagapatam district) and jewellery. Much money is spent on education.

B. Vaisyas.—In towns and villages. Money-lending and business in cloth and grains: jewellery from accumulated profits, much money is spent on marriages, obsequies and similar ceremonies. Money spent on education is limited.

C. Kshatriyas.—In villages—Money-lending, purchasing land, raising fruit gardens, profits mostly utilized for domestic purposes.

In towns—There are very few families living in towns. Nothing special to be noted under this head.

D. Kamsalas (goldsmith)—In villages—Purchase land.

In towns—Make jewels for sale.

E. Muhammadans.—In villages—Purchase land; or purchase bullock-carts for plying for hire; purchase vegetables in towns and sell them in villages.

In towns—Business in cloth sales, in purchasing skins and exporting them.

Some who have objection to lend money for interest invest money in house property.

F. Other Hindus (excluding A to D)—

Maricarais.—Money-lending. Found only in towns.

Nattukottai Chettis.—Strong tendency for banking and money-lending (in towns mostly).

Gollas (milk-men).—In villages—Purchase land; purchase goats and sheep to grow flocks in order to sell them.

In towns—Purchase she-buffaloes and cows to sell milk.

Kapus, Velamas, barbers, washers, etc.—In villages—Have strong tendency to purchase land: money-lending; some purchase bull-calves to sell them at a profit; some purchase she-buffaloes to use the milk for preparing ghee and curds to sell in towns; business such as having rice mills, ordinarily, they do not invest money in other trades, such as cloth, pulses, salt, and so on. Expenses under education and under domestic functions small generally, a thrifty class.

In towns—Money-lending, house property, supplying milk to coffee hotels tremendously by keeping milch cows and buffaloes; education of children.

Yathas (toddy-drivers) (Vizagapatam district).—Found in villages. Purchasing pigs, rearing herds to sell pork at shandies.

Malas and Madigas.—In villages—The little that they can spare is used in money-lending or purchasing land. Tendencies are more strong nowadays in the latter direction than ten years previously. Have strong inclination to spend money on grogs.

Valmikiis (Gudem Agency), Vizagapatam.—Do business in Agency produce such as coffee, fruit, turmeric (oranges), sikaya and so on.

Oilmongers.—Invest money in purchasing gingelly seed in large quantities in order to press oil and sell throughout the year.

To summarize in a general manner—

Brahman.—Has small resources; so does not venture in trade which involves risks. Likes a safe investment as in land, interest-paying investments. He wishes to have money at call for education of children; ceremonial expenses of a domestic nature (marriages and so on). He keeps a high standard of civilized life and puts money on luxuries, in dietary, clothing and so on.

Vaisya.—Does not mind risk in trade. Does not bother himself if he becomes insolvent one day for shortly after in some other way he starts business again. Deals mostly in money-lending, cloth, grains; latterly spends on luxuries, domestic ceremonies and little extent on education.

Mussalman.—Business in any line including objectionable articles such as skins, spends little on education. Some drink liquor.

Oilmongers, Gollas, Medaries (basket-weavers), etc.—Use money as capital for running their profession in different directions as above stated.

30. *Farmers lending to fellow agriculturists.*—They do. Loans of small sums of money payable under a month do not generally bear interest. As I have said in the previous paragraphs, interest varies from 6 to 12 per cent. When grain is lent, interest is taken in kind—which varies from $\frac{1}{4}$ to $\frac{7}{8}$ of the quantity lent per year. Generally, borrowed money is returned only after the next harvest. It sometimes happens that savings are needed for extraordinary expenditure such as marriages and so on. As the borrower would not be capable of returning the money at short notice, money is kept idle with the ryot in order to draw from it from time to time. If there are banks in easy reach, ryots could put in money there and get interest—as in current accounts or savings bank—for the period in deposit giving him at the same time the convenience of withdrawal as and when he chooses.

31. It will be an advantage to the Government servant if he can be paid by cheque. During leave, he can draw leave salary without having to pay postal money order commission.

32. *Possible means of educating the people of the country to invest savings in productive undertakings*—

(a) There are village libraries which receive contribution from the local boards. A book written in vernacular on the subject of several forms of investment may be supplied to such libraries so that those who can read may take interest in reading it.

(b) Village panchayats can assemble ryots and explain to them.

(c) Departmental officers—in the Co-operative Department, Public Works Department; and Land Revenue Officers during their tours can explain the advantages. The jamabandi period is also an occasion for doing such work.

(d) Special committees may be formed—as in the case of temperance committees—to tour and explain.

(e) Whenever taluk board and district board meetings are held in interior villages, the occasion may be used for assembling villagers and educating them.

(f) Special village sheets may be published with district gazettes or otherwise and distributed free.

If professional money-lenders are discouraged by suitable amendments to the Usurious Loans Act from exacting high rates of interest, capital will easily flow in for works of public utility in the country as the people would then prefer investing moneys in Government loans to lending to private persons of doubtful solvency, particularly as the disparity in interest in the two cases would not be very appreciable.

(8)

Written evidence of F. W. STEWART, Esq., I.C.S., Collector of Guntur.

I regret that I have been unable to reply to this reference before. Several references have been received from various sources in the last four months all requiring answers in much detail to subjects, discursively stated, which are under consideration by Legislatures or Committees, and I have not been able to consider any of them as I would wish. Moreover this particular subject was studied by the English head clerk who has had to take leave following an operation.

2. For the details, I enclose the replies of the Sub-Collector, Ongole, and the Revenue Divisional Officers, Tenali and Narasaraopet. I am not in favour of increasing facilities for long-term borrowing. The habit of debt is ingrained in the people. The amount a man can borrow is an indication of his status, so much so that increased facilities are likely to lead to borrowing for its own sake. I believe—the Income-Tax Department would probably corroborate—that surplus funds are habitually used for lending to others rather than for clearing off debts and that a wealthy man's financial state is a complicated mass of debts and credits. Added to this there is the tendency to display by the jewellery of the women and children and during marriages, receptions of prominent people and other ceremonies, which would be encouraged by more opportunities to borrow. I am not satisfied that the majority of small holders need much capital for improving their holdings. The main improvements are already made either by Government directly when they provide irrigation, or by takavi loans from Government for the smaller improvements which the ryot himself has to make on his own relatively small holding. I am therefore not in favour of land mortgage banks in the Telugu country, and would prefer to stimulate the short-term loans to prevent the ryot getting into fresh debt for cultivation in the season following a bad one and to enable him to market his produce at the best time or without the aid of too many middlemen. In the Kistna western delta and in the dry lands near and above it, the agricultural conditions are so good and regular that even these loans should only be necessary for marketing. In the lands on the fringe below the delta and in the belt of dry country extending from Ongole taluk to the Palnad taluk the crops are liable to failure, so short-term loans are required there to finance agricultural operations in the following season. The Imperial Bank of India and the Indian Bank do not usually lend to the ryot but to the merchant, so this field is left to the District Co-operative Bank and the village money-lender. I would not endeavour to transfer the old debts of the ryot from the village money-lender to the land mortgage bank, but would hope that thrift would gradually be inculcated and lead to these being cleared off by the ryot himself.

ENCLOSURES

(i)

**Written evidence of S. A. VENKATARAMAN, Esq., M.A., I.C.S.,
Sub-Collector, Ongole.**

I enclose herewith notes prepared by the Tahsildar, Ongole, after a discussion with me. I agree generally with the opinions expressed in it. I regret that owing to pressure of other work, I have been unable to devote more time to the questionnaire.

**(Note of M.R.Ry. G. RAMAKANTHACARYA Avargal, B.A.,
Tahsildar, Ongole.)**

1.—Agricultural credit and credit facilities for small industries.

1. There are no indigenous banks worth the name in this district and the ryot generally resorts to the professional money-lenders or merchants in his village for loans—short-term as well as long-term loans—to meet his expenses under the three categories, (a), (b) and (c) except, of course, in a few cases in which he has access to the co-operative banks which have sprung up and are working for some years past, or takes advantage of the takavi loans offered by the Government for effecting permanent improvement of their lands, etc. Local money-lenders usually charge interest at the rate of Rs. 8 to Rs. 12 per cent per annum subject to increase according to fluctuations in the money market, as against 9½ per cent charged by the co-operative banks. Personal security is rarely demanded by professional money-lenders in the case of short-term loans but they accept security of standing crops, etc., in such cases. As for long-term loans, security of land is the rule, though in the case of debtors who have got good landed property, it is relaxed to the extent of its value. Co-operative banks generally accept personal security in the case of short-term loans; while in the case of long-term loans, security of land is also in some cases, insisted on. Under takavi rules, security of land is insisted on in the case of L.L. loans; while in the case of agricultural loans, personal security is accepted as well as security of land or other immovable property, such as substantial buildings, etc. The rate of interest charged at present is 6½ per cent (reduced recently from 7½ per cent). Having regard to the number of co-operative banks now working in this district, there are now about 600 such banks including tenants' co-operative societies, etc., and their working capital which amounts to about 30 lakhs, and the large amount of takavi loans advanced to the ryots—the amount of capital that is necessary to meet the requirements of the ryots in various directions in this district—may run to several lakhs. Apparently there is no discernable defect either in the takavi loans or co-operative bank systems working under the auspices of Government, but it may be observed that the borrowing power of the ryot under these rules is somewhat too limited to touch the fringe of the legitimate requirements of some of the deeply indebted ryots to whom the loans obtained under these systems act only as a temporary relief. That is why such ryots resort to the professional money-lenders whose unscrupulous methods of dealings, apart from the exorbitant rates of interest sometimes demanded, grind them down. Of course the professional money-lenders are resorted to also because of the general ignorance of ryots who are still unaware of the better facilities now available for borrowing. Land mortgage banks is one of the remedies suggested to increase the borrowing power of the ryots and thereby to help him to reduce his indebtedness. So far as the working of the takavi rules is concerned, I am afraid there sometimes arise cases in which the borrower does not utilize the loans obtained for the productive purposes for which he originally applied but applies them to other and more pressing domestic needs which do not give any return. Though I am confident that with the awakening that is taking place all round, the ryot will soon realize the disastrous effects of resorting to the professional

money-lender and avail himself of the better facilities now within his reach, still he will not, at all events, prosper unless and until he cultivates the habit of thrift in various items of his domestic expenditure, such as marriages, etc. Education and propaganda appear to be the only means of opening the eyes of the ryot to the new possibilities that await him.

2. *Marketing of principal crops.*—The village merchant buys crops, while still on ground and somewhat in advance of harvesting, usually at a comparatively cheaper rate than can usually be obtained in the market after the harvest season and transmits the goods to his own commission agent at a central place and the commission agent will, in his turn, despatch the same to his customer in another central place where there are railway facilities for export. The crops thus pass through several middlemen who make good profits at the expense of the ryot. At present there are no credit facilities for the financing of products during marketing, which will profit the ryot, rather than the merchants and other dealers during the process of marketing. If the ryot comes to realize how much he loses this way, he is realizing it now in parts, though but slowly, there is every possibility of his forming pools, etc., in marketing the produce in the near future. As regards the existing facilities for internal remittances, the hundi system is in vogue among merchants in towns and in villages, an entry of the borrower's name with or without signature in the lender's khata book is enough to validate monetary transactions. In my opinion, these methods are serving the mercantile interests without any complaint and are not in need of any radical change. The hundi system is generally current among the middlemen, merchants, and commission agents and the hundis are honoured in local and provincial centres in so far as there is a common understanding between the parties to the transactions.

Negotiable instruments and the part they play in the internal trade in the province.—Promissory notes, bills of exchange and cheques are all the instruments mentioned in the Act. Bills of exchange are only hundis and their utility has been referred to above. Acknowledgments on khatas maintained by the merchants serve as promissory notes; cheques are in use only in the recognized banks, etc. Reduction of duty may lead to more extensive use of bills, and it is highly desirable that the acknowledgments referred to above be exempted from stamp duty in so far as they relate strictly to commercial transactions. I have no other proposals for the amendment of the Negotiable Instruments Act. The variety of the hundis that is in vogue here is called Baratham (बराथम) and it takes generally the form of a letter of credit.

3. *Value of land per acre.*—Lands which grow wet paddy, duffasal or double crops, tobacco, groundnuts and chillies are generally more valuable than those which produce dry paddy, jonna, variga, ariga, ragi, kandi, etc. The chief factors that affect the value of the land are the nature of the soil such as black-cotton soil, its tenure as dry or wet, its proximity to the village, its capacity to produce valuable and industrial crops such as wet paddy, groundnut, etc., and the local demand for agricultural lands. Values of these lands under (a), (b) and (c), are noted below in the light of the above considerations:—

Crop.	Local rates.				
	Wet taluk.	Dry taluk.	(a)	(b)	(c)
—	Rs.	Rs.			
1. Wet paddy ..	500 to 1,500	300 to 1,000	Half the value.	Three-fourth.	Nine-tenth or full.
2. Double crops ..	1,000 to 2,500	Nil.	Do.	Do.	Do.
3. Tobacco, chillies and groundnut, etc.	Nil.	400 to 1,000	Do.	Do.	Do.
4. Dry paddy, jonna, variga, cotton, kandi, etc	Nil.	300 to 600	Do.	Do.	Do.

In the case of lands under (a) low bids will be fetched owing to combination of local ryots. There is no opportunity for such combination in town for sale of lands under (b). Private negotiations are not hampered by any such disabilities and the full value or almost the full value is realized.

4. Legal impediment to the mortgage of land, etc., exists in the case of the limited estate of the widows and the property of minors except of course, under certain conditions, the proof of the validity of which will always lie on the party who asserts their existence. There are no land mortgage banks in the district. There are agricultural banks, but I think they do not make provision for long-term credits except perhaps in agricultural concerns. The co-operative banks provide for such credits, though to a limited extent. Both raise capital on the basis of share system and form reserve funds from out of the profits derived so as to increase and consolidate the capital, while the activities of the agricultural banks are confined to giving relief in agricultural matters. The co-operative banks' sphere of usefulness is not restricted in any such way. Land mortgage banks are a desideratum which can be supplied to the advantage of the ryot population so as to supplement the beneficent activities of the other kinds of banks which are now working.

(a) *Improvements in the records of rights.*—All important village accounts bearing on the records of rights have, under existing rules, been thrown open to ryots and I do not think they are susceptible of much further improvement at this stage.

(b) *Simplification of the process of foreclosure.*—I have no suggestions to make.

(c) Access to records of rights may be exempted from the prescribed fees, search fees, etc., so as to reduce the burden on the constituents of the bank. The working capital of the mortgage bank may be derived from the three sources named in (a), (b), and (c) and I do not think that the Government guarantee is necessary either for principal or interest or for both. In working institutions of this kind Government may sometimes have to incur loss but guarantees of the kind proposed will, in my view, detract from the disciplinary value which will otherwise be obtained. The terms under which the co-operative banks are working apply, I should think, equally well to the agricultural mortgage banks. The chief feature of mortgage banks is to insist on the security of the lands for advancing long-term loans and if personal security is also insisted on, I am sure it will be forthcoming and this will tend to sound security.

5. *Agricultural classes and their indebtedness.*—The indebtedness of the ryot in upland and dry villages is comparatively less than in the delta villages, though the agricultural expenses in the latter villages are comparatively less than in the dry villages, for the obvious reason that the ryot in the deltaic tract is becoming more and more susceptible to the influence of civilized modes of living and has developed a tendency to amplify his comforts beyond his means. Indebtedness to about half of the estimated value of the landed property in delta villages and to one-third of it in the dry and upland villages may be a fair estimate of the ryots' indebtedness in this district. Taking the above estimate as the unit, the amount of debt under (a) may represent about two-thirds of the ryots' property; of the remaining one-third, half of it may represent the concealed debt under (b) and the other half, i.e., one-sixth of his property, will fairly represent his debt under (c).

Items (a) to (i) are the main purposes for which debts are generally incurred by the ryot except, of course, in Tenali and other deltaic villages where large sums are borrowed from Marwari creditors for meeting the demands of civilized modes of living, for instance, motor cars, construction of substantial buildings, elections, etc. The creditors for items (c), (f), (g) and (h) are partly Government and partly co-operative societies and the money-lenders also come in for a large share. Professional money-lenders are generally the only creditors for the debts under the remaining items. The rates of interest charged by these various agencies were noted in paragraph 1 of this report. There is no hard and fast rule for the professional money-lenders in enforcing the payment of their debts. The more humane of them accept liquidation by instalments and resort to arbitration when a dispute arises, while a majority of them enforce payment only by resorting to the civil courts in the

event of their debtors failing to fulfil the conditions stipulated in the documents. In the case of co-operative banks and takavi loans granted by the Government, the repayment of debts is enforced by way of instalments. In takavi loans, a graduated scale is adopted and the interest is calculated according to prescribed tables incorporated with the principal amounts; whereas in the case of co-operative banks, they collect penal interest at 12½ per cent if the debtor fails to make the payment according to agreed conditions, and where the latter proves himself incorrigible, the decree is summarily passed and enforced through the instrumentality of either the civil court or the Revenue Department. Under takavi rules loans are summarily recovered if the borrower is found not to fulfil the conditions of the grant. No penal interest is levied. There are a good number of people, who have been transferred from efficient farmers into tenants through the process of enforcement of old debts and the landed property passing into the hands of the creditors. I do not think that the ryot is generally so pessimistic in his outlook as to get disheartened and give up vigorous efforts to produce more and more in order to recover his lost status. The depression caused by such reverses will, in my view, be only temporary and, given fair chances, he will try to repair his fortune again.

6. *Subsidiary industries allied to agriculture.*—After the crops are harvested and before the next season commences, the interval is generally used by the ryots only as a resting time with occasional efforts to better equip their lands against the ensuing season by way of manuring, etc. The mind of the village ryot is hereditarily unimaginative in the direction of arts and crafts, and no enterprise will, in my view, appeal to him at present, though in the management of his special avocations he exhibits certain qualities of intelligence which are required for his success in that sphere. He is generally averse to organized efforts not sanctioned by tradition, and is generally irresponsible to enterprises which involve the raising of capital. All the subsidiary industries mentioned in question 6 are to be seen in the district. I am not aware of any other small industries which appeal to the ryot.

7. I am not aware of the relations that exist between the various banks mentioned. As regards the existing difficulty in the matter of finance in the case of co-operative banks, it may be said that the scope of help which they can give to the ryot is limited and that, as observed by me already, the extra capital required for financing the co-operative movement will run into lakhs. I am not able to give an estimate except in these general terms. Joint-stock banks have dealings generally with merchants and I am not aware of any competition between them and co-operative banks which mainly serve the interests of the ryot population. Industries such as rice-milling, cotton ginning and sugar-refining are not resorted to by ryots of status though the poor among them living near industrial centres, do take advantage of these industries. Well-to-do ryots however supplement their income by raising garden produce and by conveying harvested crops on their bullock bandies to market centres for hire paid by the village merchant who buys their produce. Dairy-farming and hand-spinning are especial vocations of their women-folk and they attend to it almost throughout the year. These are a good source of supplemental income and when men become impoverished on account of adverse chances in their agricultural pursuits, the women-folk at times come to their rescue, though their general tendency is partly to lock up their gains in jewellery and partly to lay it by as their personal fortune. New methods do not generally find favour with these rustics and it requires much propaganda before these can be introduced in order that they may get better return, either in the sphere of agricultural or industrial pursuits. Basket-making, carpet-weaving and similar manual industries may of course be taught and followed with advantage but generally no ryot of status would go in for them owing to age-long prejudice against these professions as they are associated with Yerukalas and Lambadies and other low castes. It is, in my view, desirable to extend the concession described in order to stimulate the growth of the co-operative movement.

11.—Indigenous banking.

So far as I am aware, there are no such banking agencies in this district.

III.—Investment habit and attraction of capital.

1. The only bank that is required in addition to the banks now working is the land mortgage bank. I am unable to state the additional capital that is required, as I have no requisite data. There are now many facilities for the investment of savings but generally the ryot, who is able to save something will prefer to hoard for fear that the money will not be available when required. Other communities have already realized the advantages of investing their surplus money in the banks, as is evident from the results of the working of these banks. The people of India prefer to invest in gold and silver and this habit has probably some historical origin in the fact that, in the old days when ruling dynasties were changing often, they felt that the preservation of these metals was of vital importance as compared with their inferior substitutes. The additional reason for this tendency is, I think, the love of ornaments on the part of women in India.

2. Postal cash certificates are gaining in popularity in this district. I have no suggestions to make with regard to their revision. Savings banks afford all reasonable facilities to the public and the middle-classes resort to this form of investment. Propaganda work will, however, have to be done by the Postal Department to popularize the institution. I am not aware of the alleged competition of Government with banking institutions, with reference to treasury bills and Postal Cash Certificates. I have no remarks to offer regarding existing facilities for the purchase and sale of Government securities, etc. Ryots who have surplus money will be lending out to their brother-ryots for small interest, in the same way as other money-lenders, though on more lenient terms. Some money is spent to improve their homestead, their cattle-sheds, and some more they lock-up in land adding thus to their immovable property. Middle-class men other than merchants will either sink their money in land or in buildings which give a fair return. Merchants sink their money in their trade. Nowadays, intelligent men of all castes have learnt the advantage of depositing their moneys in the banks, etc., since they find that this is preferable to lending to men of doubtful solvency. There are other groups generally of low class people who will bury it under earth in their little huts for use against a rainy day. As regards the distribution of capital among the indigenous population, the growth of capital is very slow and it does not distribute very freely, as it is very limited and hardly sufficient for the owner to meet his ordinary requirements in life.

4. The issue of cheques is in use only in banks. The abolition of stamp-duty has popularized the cheque. Government servants and bank employees above Rs. 100 may be paid by means of cheques, but it will be better to leave it to their option. I am not in favour of using vernacular scripts in banking.

5. I agree that banking and investment in India are of slow growth. This is due to the lack of industries and the consequent industrial mentality.

The opening of new branches in recent years by the Imperial Bank of India has stimulated commercial activity in places, which were dull before.

(ii)

**Written evidence of M.R.Ry. L. R. VENKATRAMAN Avargal,
M.A., Revenue Divisional Officer, Tenali Division, Tenali.**

In this division, the cultivating ryot generally does not require any finance for incurring expenses during cultivation since he keeps sufficient stock of paddy required for paying the coolies engaged in transplanting the fields as a major portion of the division is commanded by the Kistna delta. The fields in the delta portion do not also require any improvements for which the ryot has to spend any large amount. The slight improvements will be within the margin of the ryot's finance. It is only in cases where the ryot chooses to lower the level of the dry fields so as to bring them under wet cultivation that he has to spend a pretty large amount but such cases are very rare and only resorted to by the rich ryots who possess dry lands adjoining the irrigable ayacut lands. The expenditure in such case is even less in Repalle taluk where the reclamation is done gradually with the labour of the ryots as the soil is mostly sandy. The ryots in the delta have the least occasion to require money for special needs. But some of the poor ryots who possess small extents of lands or who are cultivating tenants of small extents generally go in to the local money-lenders for paying land revenue. Instances are not also wanting where such ryots sell at a low rate to the local commission agent part of the paddy for defraying the expenses.

2. In this division paddy is the chief crop raised and it is generally sold to the commission agents who go in large numbers to the villages for purchase. Instances are not also wanting where some of the rich ryots store the grain for selling subsequently. Turnerie is extensively grown in the Tenali taluk and it is a commercial crop largely exported to Bombay and Calcutta. This is purchased generally by the agents employed by Marwaris. Dry crops are raised in small quantities.

3. The value of lands in this division depends entirely on the irrigation facilities which the land possesses and its proximity to the village and to the irrigation channel and similar considerations. In some of the fertile villages where turnerie and other garden crops are raised the rate per acre of wet and dry lands is Rs. 2,000 to Rs. 2,500. Ordinarily the rate of wet land raised with paddy crop will be between Rs. 1,000 to Rs. 1,500 and the dry lands cultivated with dry crops will be Rs. 400 to Rs. 600. In this division lands are rarely brought to sale for arrears of land revenue and in the small number of cases, the lands involved will be of poor soil. Consequently the value realized by the sale of such lands will be less but I do not think that the rates will be ridiculously low when compared with the value of lands of similar soil; so also the lands sold by court decrees will not fetch low amounts but the amount realized will in a majority of cases depend on the soil of the land and the competition among the bidders present at the sale. The value of lands purchased by private negotiations compare favourably with those of the above two modes.

4. The existing orders in the maintenance of record of rights are in no way a hindrance to the mortgage of lands but the number of disputes and counter claims will be very few. According to the present orders, the ryots themselves are responsible for not seeing to the proper registry of their names in accounts.

5. As far as the ryots of this division are concerned debt is generally incurred for the purposes noted below:—

- (1) Payment of earlier debts;
- (2) marriage and other social occasions;
- (3) growth of debt by compound interest; and
- (4) education of children.

Of late the ryots have been in the habit of freely taking loans from Marwari money-lenders who charge exorbitant rates of interest. This class forms the chief type of creditors in this division. The Imperial Bank of India and the Indian Bank freely give large sums of money to merchants, etc., but very few ryots go in to these banks as they are not land mortgage banks. The rate of interest generally charged by Marwaris will be between 12 and 18 per cent and even more in special cases. They collect interest first and then principal every year. Some of the efficient farmers are being turned into tenants through the process of the enforcement of the old debts and the consequent passing of the landed property into the hands of creditors. There is also a tendency on the part of some of the ryots who till recently were efficient farmers to lease their lands for the simple reason that they want to spend their time in directions other than agriculture. This leads to the fact that the cultivating tenant does not bestow as much attention to produce more in an efficient and better manner since he will not be confident that the land will be in his possession for a sufficiently long period.

(iii)

Written evidence of M.R.Ry. D. SITARAMAYYA PANTULU
Garu, B.A., Revenue Divisional Officer, Narasaraopet.

1. (a) Mostly from private money-lenders.
- (b) From State loans under the Agriculturists' Loans Act and Land Improvement Loans Acts and also from loans from private money-lenders.
- (c) Failure of monsoon—State loans.
- (d) Land revenue—Loans obtained from local money-lenders.

Rates of interest.—The normal rate of interest generally demanded by private money-lenders is 12 per cent per annum. The Marwari merchants who act as private money-lenders advance loans for short periods at exorbitant rates ranging from 25 to 30 per cent per annum. The rate varies according to the period for which loan is obtained and to the solvency of the debtor. The interest on Government loans was at 7½ per cent per annum. It is reduced to 6½ per cent recently.

Period for which loans are taken.—Loans are taken for one year generally in these parts for agricultural purposes. Failure to pay within one year entails the necessity to renew the pro-notes including the principal and the interest accruing within the period. This method amounts to the levy of compound interest.

Nature of security given and accepted.—Loans for long periods are advanced on mortgage of immovable property. Loans for short periods are given on mortgage of standing crops, etc. Loans of the latter kind are of the following kinds:—

(i) The debtor binds himself to pay the creditor at a certain rate per bag of the produce realized from the crop for the use of the money taken allowing himself (the debtor) to sell the produce to whomsoever he pleases and pay the principal.

(ii) The creditor and the debtor agree, the former to purchase and the latter to sell the produce mortgaged at a particular rate. Neither of the two parties is allowed to go behind the conditions of the agreement, i.e., the creditor purchases the produce before it is ripe for harvest at a fixed price and pays the debtor the price in advance. The debtor is bound to hand over the quantity of produce purchased by the creditor at harvest.

(iii) Loans are repaid in some cases by instalments in kind. The repayment to be made in kind at the end of every year is also fixed at the time of taking the loan as well as the total period within which the loan should be repaid.

Part played by different agencies:—

Government.—State loans are granted for agricultural purposes under the Agriculturists' and the Land Improvement Loans Acts.

Imperial Bank of India.—Loans are granted in the Imperial Bank of India on the security of co-applicant. The loans are mostly granted during the harvest season and they are repayable in three months. Extensions in exceptional cases are granted up to six months and no more.

Joint-stock banks and indigenous banks and bankers.—There are no such banks in this division.

Co-operative banks.—These are not properly managed in villages. The ignorant villagers who become members of these bodies are not properly educated and they are handicapped by the office-bearers who in most cases appropriate the sums available to themselves. There were cases of criminal misappropriation of funds by the office-bearers and those in which the sums taken as loan by the office-bearers or others had to be recovered under the provisions of Land Revenue Recovery Act.

Ordinary money-lenders.—The part played by these has already been dealt with above. The agriculturist for want of better means of raising the necessary capital for his business, often plays himself into the hands of these unscrupulous money-lenders who bring pressure to bear on the debtor

at an inconvenient hour and extract unreasonable and exorbitant conditions from the debtor which makes him involve in constant indebtedness to the private money-lender.

Rectification of defects.—This miserable state of affairs to the agriculturist may be averted by increasing the number of co-operative banks, with good financial status with close supervision by the Co-operative Department. An easy and regular method of repayment of the debt is essential so as not to allow the debt to grow out of all proportion to his property.

Co-ordination.—This is not possible under the present circumstances as banking is conducted on commercial pursuits. The only way to remedy the defect is, if possible, to come to an agreement in regard to the distribution of profits every year.

2. Marketing is generally made on commercial system. In most cases the producer and the purchaser do not deal direct. There is always a commission agent who deprives the producer of an appreciable share of his profits. As the rustic producer is ignorant of the tricks played by the commission agents in towns, he is often deceived in disposing of his produce in towns.

Credit facilities required in marketing produce.—The Imperial Bank generally gives loans on the mortgage of the produce in sealed godowns. This facilitates the disposal of produce in a more favourable season. There is no difference in advancing loans on articles of internal trade and foreign trade. The only consideration in these cases is whether the produce offered as security commands good price or not.

3. *Value of lands.*—This is a dry region. The value of the land depends upon the fertility of soil and its distance to the market. The lands fit for garden crop such as tobacco chillies, etc. are worth from two to six hundred rupees per acre. The less fertile lands in these rocky regions are worth even less than Rs. 100 per acre. There are extensive rocky lands which are not coveted by anybody.

There are wet lands also under minor irrigation tanks which are purely rain-fed. The rains in the Vinukonda and Palnad taluks are especially precarious. Even these wet lands are generally worth between two and six hundred rupees per acre. In Santamagulur of Narasaraopet taluk and Pedakancherla of Vinukonda taluk there are some fertile lands worth Rs. 1,000. The sales of land for arrears of land revenue are very scarce and the sale by court decrees also are few in number.

4. There is no legal impediment to mortgage. Agricultural banks started on sound co-operative lines under proper supervision may be of great help to the ryot.

Record of rights.—In spite of strenuous attempts to bring the record of rights in close agreement with actual enjoyment on ground, it is not up to date. The only remedy seems to be to collect the subdivision fees even before the registration of the documents in the Registration Department and compulsorily subdivide the lands transferred and register them in the name of the transferee after due enquiry.

5. Generally women belonging to the lower classes engage themselves in handspinning when they have no work in the fields. They spin enough yarn which suffice for their cloths for the year. Generally it is the Adi-Andhras (Malas) who prepare cloths with this hand-spun yarn. This is one of the chief avocations when there is no agricultural work to attend to.

There are also some industries of a minor nature which are confined only to particular villages, e.g., mats made of tunga-grass are prepared at Inavole of Vinukonda taluk; blankets made of wool are manufactured at Dronadula of Narasaraopet taluk, stone pictures are made at Durgi of Palnad taluk, stone buttons, etc., are made at Koppukonda, paper weights made of polished stone are prepared at Rentachintala; camp cots and camp chairs with iron legs are manufactured at Narasaraopet.

I think if small loans are granted by the Government to the manufacturers of these articles from time to time, these persons will be encouraged to manufacture them on a larger scale and derive some profits out of their business.

7. I have no remarks to offer about the other points raised in the questionnaire.

(9)

**Written evidence of H. B. COBBALD, Esq., I.C.S., Collector of
Madura.**

The agriculturist in this district usually obtains finance for expenses during cultivation and for payment of land revenue, etc., on the security of the standing crops on his lands. The loans in such cases are for a short-term repayable at the next harvest with interest. The loans are usually granted by a well-to-do ryot or money-lender of the village, the rate of interest being between 12 to 18 per cent. When the crop mortgaged is ready for harvest the lender takes a portion of it if the loan is made in the form of seed or the value of it if given in the form of money plus interest in either case.

If capital for permanent improvement is required, longer-term loans are taken. The agriculturist may borrow from local money-lenders or from Government or from co-operative societies and the land is mortgaged for security. If Government loans are taken the rate of interest is about 7½ per cent; the amount of money thus lent by Government is not very large relatively to the whole.

Loans are being issued by the Revenue Department of Government which has many duties to perform. There is apt sometimes to be delay in the issue of loans and the ryot sometimes objects to the unavoidable publicity involved. All this gives an advantage to the private money-lender although his rates of interest are at least double those demanded by Government. I suggest as a possible remedy for the above defects the creation of a special loans department of Government.

There is scope for improvement in co-ordination of the activities of the Revenue Department and the Co-operative Department.

2. The usual method of marketing is simply that the ryot takes his produce to the nearest centre where he entrusts it to the commission agent to sell for him. There is a wider field for the activities of the Co-operative Department in introducing any better method of marketing which will put a greater proportion of the value of the crop into the hands of the producers.

Note by Mr. M. A. MUTHIAH CHETTIYAR, on the Torren's System of Registration of Titles to properties and transfers and mortgagee's remedies, etc., prevailing in the Federated Malay States.

This system is in vogue in Australia and has been copied in the Federated Malay States and certain other countries. The whole law relating to immovable properties, registration of titles, alienation by way of sale, mortgage or lease, rights of proprietors, mortgagees, the procedure to be adopted in realizing mortgage debts, trusts, transmission of property on the death of the registered proprietor, system of covenants, calculation of land revenue, survey and settlement and jurisdiction of courts in relation to immovable properties, are all dealt with in a single legislative enactment called the "Land Code". The Land Code in force in the Federated Malay States is the Land Code of 1926. This Code gives an accurate idea of the system in force, and is typical of the Torren's system. A brief summary of the system adopted in the Land Code is given below.

There are several provisions applicable to a new colony where there is considerable State land which is alienated to settlers. There is a system of registration of titles with a "*Register document of title*" kept by the Registrar and an "*Issue document of title*" given by the Registrar to each proprietor, evidencing his title. The proprietor of the property is the person who is registered as the owner in the Registrar's office and whose name finds a place in the Certificate of Title (Form No. 1). The *registered proprietor* has an absolute and indefeasible title to the property and is the only person in law who could transfer the land either by way of sale, mortgage, lease or otherwise. Exception is made only in cases where title is obtained by fraud or misrepresentation or by obtaining a document by forgery. Until title is impeached and retransferred to the owner, the title of proprietor, mortgagee or lessee who has taken the title *bona fide* for valuable consideration from a registered proprietor, mortgagee or lessee, or his proper representative, shall not be affected by reason of any defect in the original title. There is a provision that *no title can be obtained by adverse possession*. If there are more than one proprietor, whose names are registered as proprietors, in the absence of specification of shares in the original instrument creating the title and in the certificate of title, each is entitled to an equal share and such lands could be partitioned by an application to the Collector, by any co-proprietor.

No transfer either by way of sale, mortgage or lease or of transmission of title is recognized without its being registered. The procedure of registration is made very simple. Any instrument can be presented to the registering officer even by post and the presentation will be registered in a book with the day, hour and minute of presentation on receipt of fees prescribed for registration which can be sent by money order. Every signature to an instrument presented for registration shall be attested by a Magistrate, Registrar, Collector or an Advocate or Solicitor and a form of attestation is prescribed, a copy of which is enclosed (Form II). The registered instrument will have priority according to the time and date of registration and not according to the date of the instrument. The registration officer is empowered to refuse registration of an instrument which contravenes the provisions of any written law or any condition in the previous document of title, thus enabling a correct title to be deduced from time to time. On registering, particulars of the nature of instrument, names of parties, etc., are entered in "*The register document of title*" and the same particulars are noted in "*The issue document of title*" also, for delivery to the proprietor, mortgagee or lessee. Any one can inspect the original registers of certificates of title on payment of a fee.

Simple statutory forms of transfers of land, by way of sales, mortgages or leases are prescribed subject to changes according to circumstances. The transferee is also required to sign in token of his accepting the transfer. Copies of these forms are enclosed for reference (Forms III, IV and V). A form is also provided for the discharge of a mortgage,

If an "Issue document of title" is lost by the proprietor, a copy can be obtained only after filing a sworn statement giving all particulars of title, and setting out the circumstances of the loss of the original. The notice will be published in the Gazette in a statutory form (one such notice is herewith enclosed, Form VI) and in a local newspaper for one month. Copies of such notices have to be served on all persons having interests registered against the title and also on the land itself. A copy will be issued only when these formalities are gone through with a statement why such copy was issued. This caution is taken by the authorities as "The issue document of title" is the primary document of title used for all purposes.

If the property is transferred by way of sale, mortgage or lease, a memorandum containing a statement of all leases and charges is to be submitted, along with the issue document of title to the registering officer for registration. Provision is also made by statute that the transferee of the property is deemed to have agreed to pay any amount due on the mortgage of the property to the mortgagee with principal and interest and at the time or times specified in the instrument of mortgage and that the purchaser would indemnify the transferor from all liability in respect of such mortgage.

The mortgagee is by statute required to sign a memorandum of discharge (Form VII) in a prescribed form and send the same to the Registrar together with the issue document of title and a statement that the charge had been satisfied. The discharge will be registered and the issue document of title returned to the proper party by the Registrar. Thereupon the mortgage would stand cancelled. If the mortgagee is not in the country, the money due may be paid to the Registrar who could enter a valid discharge of the mortgage. If, without a registered document the certificate of title is handed over with intent to create a lien over property (same as equitable mortgage by deposit of title deeds obtaining in cities like Madras, Bombay, Calcutta and Rangoon) the mortgagee has to send a caveat to the Registrar who shall register the caveat. Thereupon, a lien will be created over the property after registration of the caveat.

Remedies for the mortgagee are also provided in a very simple manner. In default of payment of the principal sum or interest or periodical payments secured, the mortgagee may enter into possession and receive the rents or profits from the property and distrain upon the tenant, and all the powers of the owner will be vested in the mortgagee. The mortgagee may also send a notice after the default of payment calling upon the mortgagor for payment of the amount due within a specified time not less than 30 days from the date of notice and that in default the mortgagee will resort to all remedies. The form prescribed for the notice is also herewith enclosed (Form VIII). The provisions made for serving the notice do not cause delay.

If default is made after notice, the mortgagee may issue a notice (Form IX) to show cause why the mortgaged property should not be sold by public auction under the direction of the local court. The local court fixes a reserve price, orders public sale of the property one month after the settlement of the proclamation of sale. The property will be sold on the appointed day with the help of a licensed auctioneer by an officer of court who will declare the bidder to whom the property is knocked down. The mortgagee may bid at such auction. There is an appeal against the decision of this officer if competency of the proceeding is questioned. On completion of the sale, a certificate is issued in a prescribed form (copy of which is enclosed—Form X) with the issue document of title. The purchaser has to send these two documents to the Registrar who shall register the same.

If a proprietor, mortgagee or lessee dies, the registering authority will not register any document until a person obtains Letters of Administration or Probate and presents an application to be registered as the proprietor, together with the issue document of title. The Registrar, after ascertaining the particulars and after satisfying himself that estate duty has been paid, will issue a certificate of title and the representative will then be deemed to be the proprietor for all purposes.

If a transfer of property is made to a trustee, the Registrar shall insert the words "as trustee" or "as trustees" in the memorandum and issue document of title. Instructions creating trusts may be deposited with the Registrar for safe custody and reference.

Any person claiming title to or a registrable interest in any land may file a caveat that the land shall not be dealt with in any manner except as mentioned in the notice. A form of the caveat is annexed (Form XI). The Registrar shall send a copy of the caveat to the owner (caveatee). The registering authority will not register any memorandum of transfer, mortgage or lease so long as the caveat remains in force. If after notice from the owner of the land, the caveator does not get permission of the court to continue the caveat, the caveat will cease to operate after twenty-one days from the notice by the owner of the land.

Provision is made for an application to court if one is dissatisfied with any act, omission, refusal, direction or order of the Land Collector. The court will decide all questions as to the true construction or validity or effect of any instrument or as to the person entitled or as to the extent or nature of the right or interest stated or dealt with by the Registrar or may direct any proceedings to be instituted for the purpose.

FORM I.

Presentation No.

Certificate of Title.

No.

Register of certificates of title, volume folio

Annual rent \$.....

..... of is now proprietor subject to the conditions of agreements expressed or implied in ¹ No. and to such registered interests as are shown by memorial made hereon and to the payment at the Land Office at of the annual rent of \$..... of all that piece of land containing acres roods poles more or less being lot No. in the mukhim of in the district of which said piece of land with the dimensions, abutments and boundaries thereof is delineated on the plan drawn hereon and more particularly on revenue survey plan number deposited in the office of the Superintendent of Revenue Surveys for the State of being ² the whole part ² of the land originally alienated under the said ¹ to of

In witness whereof I have hereunto signed my name and affixed my seal at in the State of this day of 19..... at m

Registrar of Title.
State of

[Seal]

(Here make memorial of existing registered interests and of last preceding certificate of title.)

1
2
3
4

¹ (Here refer to the grant or lease of State land in continuation of which the certificate of title is being given.)

² (Here strike out any inapplicable words.)

FORM II.

Attestation.

On this day of 19..... before me (state qualification of person attesting) personally appeared A.B..... who of my own personal knowledge I know (or who from information given to me by trustworthy and respectable persons, viz., C.D. and E.F. of I verily believe) to be the identical person whose name A.B. is subscribed (or whose thumb mark is affixed) to the above written instrument and acknowledged that he was of full age within and had voluntarily executed this instrument.

Witness my hand.....

FORM III.

Presentation No.

Memorandum of charge (mortgage).

I, of ¹ being registered as the proprietor subject to the leases charges or other registered interests stated in the document of title thereto of the land held under No. for lot No. in the mukhim of in the district of in area acres roods poles in consideration of the sum of \$ lent to me by of ² the receipt of which sum I hereby acknowledge do hereby agree.

Firstly that I will pay to him the said the above sum of \$ on

Secondly that I will pay interest on the said sum at the rate of \$ by the hundred dollars in the year by equal payments of \$ on the day of every month the first of such payments to be made on the day of 19..... .

Thirdly ³.

and for the better securing to the said the repayment in manner aforesaid of the principal sum and interest I hereby charge the land above described with such principal sum and interest and subject to the aforesaid the said shall be entitled to all the powers and remedies given to a chargee by the Land Code, 1926.

Signature of chargor.

I, of do hereby accept this charge on the terms stated.

Signature by chargee.

Dated this day of 19..... .

Signed by the said chargor in the presence of.....

Signed by the said chargee in the presence of.....

Memorial made in the register of volume folio this day of 19..... at m.....

Seal.

Register of Titles.

State of.....

.....
Collector of Land Revenue.
 District of.....
 State of.....

FORM IV.

Presentation No.....

Memorandum of transfer.

I.....being registered as the proprietor subject to the leases charges or other registered interests stated in the document of title thereto of the land ¹ held under.....No.....for lot No..... in the mukhim of.....in the district of.....in area.....acres.....roods.....poles in consideration of (here state the consideration and from whom it moves: if a money consideration, say: "in consideration of dollars..... paid to me by.....of....." and state description and address) the receipt of which sum I hereby acknowledge (if any other consideration than money state it and from whom it moves) do hereby transfer to the said.....all my title right and interest in the said land.

Signature of transferor.

¹ Here state description to the satisfaction of the proper registering authority and reference to the register document of title.

FORM V.

Presentation No.....

Memorandum of lease.

I.....of.....being registered as the proprietor subject to the charges or other registered interests stated in the document of title thereto of the land held under.....No.....for lot No.....in the mukhim of.....in the district of.....in area.....acres.....roods.....poles do hereby lease to.....of.....the said land ¹ to be held by him the said.....as tenant for the space of.....years from.....at the yearly rent of dollars.....payable (here insert the terms of payment of rent) subject to the agreements and powers implied under the Land Code, 1926, and subject to the stipulated modifications terms and conditions hereinafter contained.

(Here specify stipulations modifications terms and conditions if any.)

Signature of lessor.

I.....of.....do hereby accept this lease subject to the stipulations modifications and terms and conditions hereinbefore contained.

Signature of lessee.

Dated, this.....day of.....19.....

¹ Signed by the said lessor in the presence of

Signed by the said lessee in the presence of

Memorial made in the register of.....volume.....folio.....this.....day of.....19.....at.....in.....

Seal.

Registrar of titles.

State of.....

Collector of Land Revenue.

District of.....
State of.....

¹ If a portion of the land or a part of a building is to be leased here specify the boundaries or description to the satisfaction of the proper registering authority.

FORM VI.

Notice of loss of issue document of title.

Application having been made on.....to the.....at
by.....for a certified copy of¹.....on the
 ground that.....is the proprietor of the land held thereunder
 and that the issue document of title has been² lost wholly destroyed or
 partially destroyed.

Now therefore in accordance with the provisions of section 100 of the
 Land Code, 1926, I.....do hereby give notice that unless within
 a period of.....months from the date of publication of this notice
 good cause is shown to me for refusing the application I shall issue to
a certified copy of.....

Dated this.....day of.....19.....

Seal.

Registrar of Titles.

State of.....

Collector of Land Revenue.

District of.
 State of.....

¹ Here specify the register document of title.

² Here strike out any inapplicable words.

FORM VII.

Presentation No.....

Memorandum of discharge of charge.

Received from.....this.....day of.....19.....
 the sum of dollars.....and cents.....being in.....satisfac-
 tion and discharge of charge No.....volume.....folio.....on the land
 held under.....No.....for lot No.....mukhim of.....
 district of.....State of.....

Signature of chargee.¹

Dated this.....day of.....19.....

Signed by the said chargee in the
 presence of

Memorial made in the register of.....volume.....folio.....
 this.....day of.....19.....

Seal.

Collector of Land Revenue.

District of.....

State of.....

Registrar of Titles.
 State of.....

FORM VIII.

Notice by chargee in case of default.

To.....chargors of the land held under.....No.....for lot
No.....in the mukhim of.....in the district of.....in the State
of.....

Whereas upon the.....day of.....the.....registered a charge
by you on the above land and whereas I.....was the chargee under
such charge and whereas you the chargor under such charge have made
default by

and whereas such default has been continued for a space of.....

Now therefore I.....chargee under the said charge do in accordance
with the provisions of section 138 of The Land Code 1926 give to you.....
the chargor under the said charge notice.....and further I hereby
under the said section of the said code give you notice that I shall resort
to all remedies competent unless such default be remedied.

Dated the.....day of..

Signature of chargee.

Address of chargee.....

FORM IX.

Application by chargee.

To

Whereas upon the.....day of.....19.....the.....registered in
favour of.....a charge No.....for \$.....upon the land held under
.....No. for lot No.....in the mukhim of.....in the district of
.....and whereas.....the chargor has made default by.....
(here specify the default to the satisfaction of the proper registering
authority)

for the space of.....and whereas I.....the chargee gave to him.....
the chargor.....notice in writing copy whereof is attached to repair
such default by.....and that I should resort to all remedies competent
unless such default were remedied and whereas I have such notice by.....
(here specify how notice was given)

and whereas such default has continued for the further space of.....
(here state period)

Now therefore I the chargee of the said land do hereby apply to you
.....to call upon.....the said chargor.....under charge No.....
to show cause why (here state whether the land or some portion thereof)
should not be sold at public auction.

Dated this.....day of.....19.....

Signature of chargee.

Address of chargee.....

FORM X.

Certificate of transfer to be given by officer of court on the sale of land at the instance of chargee.

Whereas upon the.....day of.....last it was ordered by a Judge under the authority of "The Land Code 1926" that the following lands, viz. (here describe land) containing.....acres, or thereabouts, and being the (whole or part) of the lands contained in the (grant, lease of State land or certificate of title) registered in the register of.....book.....folio.....should be sold by public auction before me at.....on the.....day of.....19.....and whereas at such auction A.B. was the highest bidder and I caused the said lands to be knocked down to him at the bid of \$.....(the receipt of which sum from the said A.B. I hereby acknowledge): Now I do hereby transfer the said land to the said A.B. subject to the annual rent and charges hereunder written.

Annual rent \$.....

Charges.....

Dated this.....day of.....19.....

Signature of officer of Court.

Memorial made in the register of.....volume.....folio.....this.....day of.....19.....

Seal.

Registrar of Titles.

State of.....

FORM XI.

Presentation No.....

Caveat against transfer charge or lease.

To.....

Take notice that I.....of (here specify address within the Federated Malay States where notice may be served) claiming

(Here state nature of interest in land and ground upon which such claim is founded)

in the land held under.....in the district of.....in the State ofwhereof.....is the proprietor do hereby forbid.....[here specify whether (a) absolutely or (b) in what manner and to what extent and (c) until notice shall have been served on caveator or (d) unless transfer charge or lease is expressed to be subject to the claim of caveator as expressed in caveat or (e) except subject to conditions conformable to law expressed in caveat]

the registration of any transfer charge or lease of the said land executed by the said.....presented subsequently to this caveat until this caveat be withdrawn by me the caveator or by order of the court or until after the lapse of twenty-one days from the date of the service of notice on me by the caveatee at the address given above.

Dated this.....day of.....19.....

Caveator.

Agent for caveator.

the abovenamed of affirm that the
 agent for the abovenamed statements in the above caveat are true in substance and in fact.

as I have been informed and believe

.....

Caveator.

Agent for caveator.

Affirmed before me this day of 19.....

Magistrate.

Memorial made in the register volume folio
 this day of 19..... at m.

Seal.

Registrar of Titles.

State of

Collector of Land Revenue,

District of

State of

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